

7/11/77 [3]

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Cabinet

7-11-77

THE WHITE HOUSE - -
WASHINGTON

- > Schmidt. Begin. Ancheski
Medal of Freedom. Salk. MLK
- > Drought elig. b. l. ty
- ⇒ OSHA forms. 1/2 elim. o these simple
- > 15000 refugees
- > H Brown. Indian Ocean dam. l.
- > Cabinet lobbying - IFI, etc
- > Governors meeting
- > Eastern Europe - 3 big
- > World Affairs - Cy
- > Reports to Congress
- > Elect Rail. 32% - 32 grants
- > CTB - Ind Ocean.

THE WHITE HOUSE
WASHINGTON

- > Namibia - Owen here 7/23
- > Rogers - Restanowski - Hosp Costs
- > Coal Strike = 1/2 day mtg
- > L R world econ deterioration
- > Tax Reform Sat & Fri
- > B-1 vs C-1 vs Centrifuge - expt.
Dereg vote - Com committee
Clinch River =
- > Oil exch & Japan - no benefits
- Pipeline routes
- > Consultants report
B-1 (Stennis)

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THE WHITE HOUSE
WASHINGTON

Mr. President:

The reorganization recommendations were not staffed out in the usual way, at the request of the reorganization group. Rather, comments from the senior staff are compiled and included among the attached reports.

Rick

THE WHITE HOUSE
WASHINGTON

IOB stay

(EQ 90

POWPS inflation part
stay

OMB

Cent Admin Unit

Process management

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— THE WHITE HOUSE —
WASHINGTON

State
CIA
HEW
Atty Gen
Ag

OFPP =

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MEMORANDUM

THE PRESIDENT HAS SEEN.

THE WHITE HOUSE

WASHINGTON

oh
J

MR. PRESIDENT:

McIntyre says that today's reorganization meeting was to be attended by the following:

Reorganization Executive Committee -- Vice President
Bert Lance
Charlie Schultze
Alan Campbell
Dick Pettigrew

"some OMB personnel" -- McIntyre
A.D. Frazier
Harrison

"some White House staff" -- Jordan
Powell
Eisenstat
Moore
Lipshutz
Watson

This is fourteen people. Is there anyone you want to dis-invite? Do you want me to restrict attendance to this number?

TK

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THE PRESIDENT HAS SEEN.
EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

C

June 29, 1977

MEMORANDUM FOR THE PRESIDENT

Subject: Executive Office Reorganization and White House
Office Staffing Levels

I transmit two reports for your review: (1) Reorganization of the Executive Office of the President, and (2) White House Office Staffing Levels. This memorandum summarizes the findings and recommendations of each report and proposes next steps for your further review and implementation.

Reorganization of the EOP

1. Overall EOP Structure

The team finds that a number of functions within EOP do not bear a close relationship to the President's work and do not require an EOP home for their effective performance. Many of these activities are in offices that handle specialized policy areas. To streamline the Executive Office and concentrate its work on Presidential priorities, the team presents three organizational options.

Option 1

Modify current structure; eliminate inactive units and Office of Telecommunications Policy; concentrate on removing non-essential functions from the rest. (13 EOP units would remain, compared to 18 on January 20.)

Option II

Eliminate most separate specialized staffs that deal with limited areas of policy; i.e., those removed in Option I plus Council on Environmental Quality, Council on Wage and Price Stability, and Office of Drug Abuse Policy. Under this approach, there would

be ten separate EOP staff units: White House Office, Office of the Vice President, three policy management units (Office of Management and Budget, National Security Council, a renamed Domestic Council), two specialized advisory units (Council of Economic Advisers, Office of Science and Technology Policy), Office of the Special Representative for Trade Negotiations, Intelligence Oversight Board, and a Central Administrative Unit.

Option III

Eliminate all specialized units and create a central EOP policy staff incorporating NSC, DC, CEA, OSTP and Economic Policy Group to manage decision processes and provide economic and other expertise. Under this approach, there would be six EOP units.

The study team recommends the second approach. This would limit specialized advocacy within EOP, and reduce full-time permanent EOP positions from 1,712 to approximately 1,413.

In each case the team recommends the establishment of a central administrative unit in which to consolidate administrative services currently dispersed throughout the EOP.

Background data on the Council on Environmental Quality, the Office of Drug Abuse Policy and the Office of Telecommunications Policy is included in a separate volume. Disposition of these three units may generate controversy.

2. Policy Process Management

The team finds that although the President is well served by many outstanding staff aides, there are limitations in how the overall policymaking system works to support the President on specific issues. These problems relate to the range of choices provided, the quality of staffing, the timeliness of information, and the way in which advice is sought and received from Presidential advisers. To strengthen the decision process, the team recommends:

a. Establishing Process Rules and Institutions, by

- 1) Instituting a PRM process for domestic and economic issues;

- 2) Creating an Executive Committee of Presidential Advisers to set priorities among issues and oversee their staffing;
 - 3) Assigning the Assistant to the President (Political Coordination) a more explicit responsibility for coordinating political input to policy issues;
 - 4) Sharing of Presidential decision memoranda on policy issues with Cabinet and EOP advisers most affected;
 - 5) Consolidating the two White House paper circulation systems, and including the OMB Director and the CEA Chairman in the White House circulation list.
 - 6) Building a capacity to review the decision-making process periodically.
- b. Making process management on domestic and economic issues the explicit and primary responsibility of the current Assistant for Domestic Affairs and Policy.
 - c. Merging the Domestic Council and Economic Policy Group staffs under the Domestic Adviser, with the combined unit renamed Policy Support Staff.

These recommendations and supporting documentation are presented in full in the study team's Decision Analysis Report, which is also transmitted for your reference.

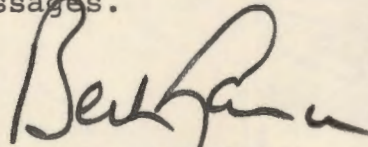
White House Staffing Levels

The study team concludes that substantial staff reduction is both feasible and desirable. Current policy/political staff can be reduced by 30 percent below the Ford Administration level of 250; comparable reductions in other White House staffing are possible if the team's proposal to centralize EOP administrative services is adopted.

Next Steps

We are scheduled to meet with you during the morning of July 7th to further explain these recommendations and answer questions. Pending your approval, we will

1. Develop detailed implementation plans.
2. Work with current EOP managers to accomplish these improvements.
3. Assist in developing materials to explain those actions to the press and public.
4. Draft instruments such as revised Executive Orders and Congressional messages.

A handwritten signature in dark ink, appearing to read "Bert Lance", with a stylized flourish at the end.

BERT LANCE
Director

THE PRESIDENT HAS SEEN.

EOP Reorganization

Major Decisions (Assuming Option 3 is not chosen)

I EOP Reorganization to be Accomplished by Reorganization Plan

- A. CEQ - Move to Interior? What will be the organizational and reporting relationships to the Secretary of the Interior?
- B. OFPP - Shall legal entity be abolished and functions transferred primarily to OMB?
- C. COWPS - If COWPS is to be retained, should it report to Chairman of CEA?
- D. ODAP - To be abolished? (President could establish WH position for adviser).
- E. OTP - Abolished? Functions transferred predominately to Commerce?
- F. Domestic Council - Abolish? (Staff would be redesignated Policy Support Staff.
- G. OSTP - Abolish 3 Advisory Committees?

II Other EOP Reorganization Decisions

- A. Central Administrative Unit - Is this to be separate unit reporting to President?
- B. Should recommended policy process management procedures and responsibilities be adopted? Who should insure implementation?
- C. What is disposition of EPG?

III Staff Reductions/Increases

A. EOP Units

- 1. CEA - Reduce microeconomics staff.
- 2. STR - Reduce staff by 4 (from actual).
- 3. IOB - Increase staff 3-4 people.
- 4. NSC - Reduce 8 from actual.
- 5. VP - Reduce 3 administrative personnel.
- 6. OMP - Reduce 40 (from actual) administrative personnel

B. White House Staff Reductions

1. Any variations to recommendations?

C. Implementation Responsibility

1. By whom?
2. By what date?

THE WHITE HOUSE
WASHINGTON

Mr. President:

Jim King's response to your
question is attached.

We have held the documents
you signed, so you still have
the option not to designate
her as Ambassador if you so
choose.

Rick

*Signed & forwarded
to Rep. Linder 11/11/77*

THE WHITE HOUSE

WASHINGTON

July 11, 1977

MEMORANDUM FOR THE PRESIDENT

FROM: JAMES B. KING *JBK*

SUBJECT: Ambassadorial Rank for Jean Wilkowski as
U.S. Coordinator for U.N. Conference on
Science and Technology

1. Designation of rank of Ambassador is endorsed by Secretary Vance, Deputy Secretary Christopher and Dr. Frank Press.
2. Father Theodore Hesburgh will serve as Chairman of the U.S. delegation and will have the rank of Ambassador. Except in special circumstances, however, he will serve only to open and close ceremonies and as a pre-conference advisor. Ambassador Wilkowski will chair during the remainder of the period.
3. Her counterparts in preparing for and executing the Conference will be of Ambassadorial or equivalent rank.
 - a) Domestic - Coordinating a conference of this size and importance will necessitate frequent interaction with Assistant Secretaries in the bureaucracy, key members of Congress, Chief executive officers of multinational corporations, etc.
 - b) Foreign - The Secretary General of the Conference, other ranking U.N. officials, and Coordinators of other delegations will be of Ambassadorial rank.
4. The rank will be a clear signal of the importance this Administration places on the Conference and Ms. Wilkowski personally:
 - a) The status conveyed by such rank would reassure both skeptical multinational corporation executives and foreign governments of the seriousness we attach to the Conference.

Page two

- b) As a former Ambassador, she already has the right to be addressed Ambassador Wilkowski. Not giving her this rank as Coordinator could suggest a lessening in her personal status as viewed by a new Administration.

RECOMMENDATION

☒ Agree
☐ Disagree

JC

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THE WHITE HOUSE
WASHINGTON

June 25, 1977

Jim King

The attached was returned in the President's outbox. It is forwarded to you for appropriate handling.

Rick Hutcheson

Re: Presidential Rank for
Jean M. Wilkowski

NOTE: I will hold until Pres.
signs off on your response.

56/235
THE PRESIDENT HAS SEEN.

THE WHITE HOUSE
WASHINGTON

June 24, 1977

MEMORANDUM FOR: THE PRESIDENT
FROM: JAMES B. KING *J.K.*
SUBJECT: Presidential Rank

Attached for your signature is the nomination document for Jean M. Wilkowski, of Florida, a Foreign Service Officer of Class one, for the rank of Ambassador while serving as Coordinator of United States Preparations for the United Nations Conference on Science and Technology for Development.

Also attached is a letter according Miss Wilkowski the rank of Ambassador upon her confirmation by the Senate.

All necessary checks have been completed.

TWO SIGNATURES REQUESTED

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*I've signed, but
let me know why
this is necessary. I don't
think it is.
J.C.*

THE WHITE HOUSE
WASHINGTON

July 11, 1977

The Vice President
Stu Eizenstat
Frank Moore
Jack Watson
Z. Brzezinski
Jim Schlesinger
Bob Strauss

Re: GSP and OPEC

The attached was returned in the President's
outbox and is forwarded to you for your
information and appropriate action.

Rick Hutcheson

THE WHITE HOUSE
WASHINGTON

ACTION	FYI
<input checked="" type="checkbox"/>	MONDALE
<input type="checkbox"/>	COSTANZA
<input checked="" type="checkbox"/>	EIZENSTAT
<input type="checkbox"/>	JORDAN
<input type="checkbox"/>	LIPSHUTZ
<input checked="" type="checkbox"/>	MOORE
<input type="checkbox"/>	POWELL
<input checked="" type="checkbox"/>	WATSON

<input type="checkbox"/>	ENROLLED BILL
<input type="checkbox"/>	AGENCY REPORT
<input type="checkbox"/>	CAB DECISION
<input type="checkbox"/>	EXECUTIVE ORDER
	Comments due to Carp/Huron within 48 hours; due to Staff Secretary next day

<input type="checkbox"/>	FOR STAFFING
<input type="checkbox"/>	FOR INFORMATION
<input checked="" type="checkbox"/>	FROM PRESIDENT'S OUTBOX
<input type="checkbox"/>	LOG IN/TO PRESIDENT TODAY
<input type="checkbox"/>	IMMEDIATE TURNAROUND

<input type="checkbox"/>	ARAGON
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<input type="checkbox"/>	HOYT
<input type="checkbox"/>	HUTCHESON
<input type="checkbox"/>	JAGODA
<input type="checkbox"/>	KING

<input type="checkbox"/>	KRAFT
<input type="checkbox"/>	LANCE
<input type="checkbox"/>	LINDER
<input type="checkbox"/>	MITCHELL
<input type="checkbox"/>	POSTON
<input type="checkbox"/>	PRESS
<input type="checkbox"/>	B. RAINWATER
<input checked="" type="checkbox"/>	SCHLESINGER
<input type="checkbox"/>	SCHNEIDERS
<input type="checkbox"/>	SCHULTZE
<input type="checkbox"/>	SIEGEL
<input type="checkbox"/>	SMITH
<input checked="" type="checkbox"/>	STRAUSS
<input type="checkbox"/>	WELLS
<input type="checkbox"/>	VOORDE

THE WHITE HOUSE
WASHINGTON

THE PRESIDENT HAS SEEN. *C*

MR. PRESIDENT:

Re: GSP-OPEC Hearings

I thought you would like to know that, following up on your instructions, Ambassador Strauss has already been in touch with Senator Ribicoff and Congressman Vanik and the hearings have been postponed. The Ambassador was in Brussels when he made the calls.

Stu

Stu Eizenstat

11 Jul 77

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THE PRESIDENT HAS SEEN.

THE WHITE HOUSE

WASHINGTON

July 8, 1977

Stu
J

MEMORANDUM FOR:

THE PRESIDENT

FROM:

STU EIZENSTAT
BOB GINSBURG

Stu

SUBJECT:

GSP and OPEC

Pending Congressional Hearings

Congressional hearings are scheduled for July 14 and 15 and Administration witnesses have been asked to testify on (a) Senator Bentsen's bill which would give the President authority to designate for GSP all OPEC countries which did not participate in the embargo and (b) Representative Vanik's bill which would permit Presidential designation for GSP of Western Hemisphere OPEC countries. We have met with State, NSC, Treasury, STR, the Vice President's office, and Dr. Schlesinger's office to discuss the appropriate legislative strategy.

Administration Position

We understand that in your discussions with President Perez you indicated your interest in pursuing the Mondale Option (but without setting out any details or obligating yourself to any particular timetable) and that the President expressed appreciation for your willingness to take the initiative on this issue. In deciding upon the Mondale Option, we assume you have rejected the approaches taken by the Bentsen and Vanik bills. (Neither we nor any of the agencies believes the Administration should support these bills -- either because of their domestic political cost or because their discriminatory nature would undercut our overall foreign policy objectives.)

Recommended Strategy

The agencies and we unanimously recommend that the Administration seek postponement of the Congressional hearings:

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1. We have a lot of work to do in fleshing out the details of the Mondale Option. For example, the meaning the Administration intends to give to the requirement of "moderate" supply and price policies will be crucial to acceptance of the Mondale Option by our friends in OPEC and by Congress.
2. As we noted in our earlier memorandum, any public announcement of the Mondale Option should be preceded by careful consultation with our friends in OPEC and Congressional leaders such as Chairmen Long and Ullman. It may be that the Mondale formulation simply will not be acceptable to Venezuela or other OPEC countries or that it would provoke the kind of adverse reaction in Congress which might endanger GSP as a whole or other provisions of the Trade Act. In either case, we might well choose not to go forward. We have not yet begun these consultations and they would take a period of weeks.
3. Dr. Schlesinger's office believes that public announcement of the Mondale Option could adversely affect passage of the domestic energy program. They would prefer that announcement of any initiative on the GSP-OPEC issue wait at least until the energy program has passed the House (probably by September) and, ideally, until it has also passed the Senate.
4. It would seem extremely inopportune to announce an initiative which would benefit some of the Arab countries several days before the arrival of Prime Minister Begin.
5. If Administration witnesses testify and oppose the Bentsen and Vanik bills without offering any alternatives, we could be subjected to severe criticism from the countries that hope to benefit from these bills and possibly charges of bad faith by Venezuela.

We recommend that the Vice President and Ambassador Strauss talk with Senator Bentsen, Senator Ribicoff (Chairman of the Trade Subcommittee), and Representative Vanik as soon

as possible, laying out on a confidential basis the details of the Mondale Option and explaining our need for delay in order to further develop and explore the Option. If that is agreeable to the Senators and Representative, we would expect that the hearings would not be convened until September or later. In the meantime, unless you direct otherwise, we would proceed to work out the details of the Mondale Option and explore it further in Congress and with the OPEC countries.

☒ Approve recommended strategy
☐ Modify as follows:

Let's not hurry -
J

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THE WHITE HOUSE

WASHINGTON

June 25, 1977

*Stu - best.
Option (3) looks better.
I'll decide after
Pres's visit what to do
if any thing. J*

Mr. President:

1. Attached is the memorandum you requested assessing the Vice President's option (3) on the GSP-OPEC issue.
2. I would like to add that although you did not ask us to assess the Vice President's option (2), the Western Hemisphere waiver, there is some sentiment (e.g., Ambassador Strauss) that domestically this might be the easiest to sell to Congress, and would further our Latin American policy as well as directly benefit Venezuela and Ecuador. Other agencies (e.g., State and probably Treasury) oppose this approach as being discriminatory and undercutting our overall foreign policy objectives. I will not explore this option further unless you so direct.
3. Zbig feels that the best way to handle the situation for the visit is to issue a public statement which would simply say that "President Carter agreed to seek arrangements which would permit him to waive the OPEC exclusion on GSP for Venezuela."

This would provoke press inquiries and if we go forward with it we should be prepared to discuss our overall approach to GSP and OPEC. The potential adverse domestic reaction and its consequent potential impact on our energy package should be reviewed by Dr. Schlesinger and Frank.

Stu
Stu Eizenstat

Only copy made of this sheet =

THE PRESIDENT HAS SEEN.

THE WHITE HOUSE

WASHINGTON

June 25, 1977

*Sta. best -
Option (3) looks better
I'll decide after I
see what
Pres's visit will do
if anything. J*

MEMORANDUM FOR:

THE PRESIDENT

FROM:

STU EIZENSTAT
BOB GINSBURG

SUBJECT:

GSP and OPEC
(Prepared at your request)

You have asked us to assess option (3) suggested by Vice President Mondale in his memorandum on the GSP-OPEC issue, under which the Administration would seek an amendment of the Trade Act to provide the President with the flexibility to waive the OPEC exclusion on a country by country basis under prescribed conditions. Each waiver decision by the President would be based on his assessment of the U.S. national economic interest, with particular reference to moderate supply and price policies for oil by the designated country.* We have consulted with State, STR, NSC, Treasury, and the office of the Vice President in connection with the preparation of this memorandum.

THE MONDALE OPTION

1. Statutory Language and Congressional Testimony.

(a) The Trade Act would be amended to provide the President with the authority to exempt any country from the "OPEC exclusion" (which specifically names OPEC but applies to all international cartels as well) if he determines it to be in the "national economic interest" to do so.

(b) Administration testimony (and Congressional report language) would make it clear that we were not merely seeking a grant of broad discretionary authority, but rather that in assessing the national economic interest, the President would, as to each OPEC country, take particular account of its present and probable future price moderation and supply

*This language slightly modifies the Vice President's reference to "willingness (past and future) to offer secure access to petroleum supplies at stable market prices" (emphasis added). We think we have retained the thrust of the option while stating it in terms more likely to be acceptable to those OPEC countries with which we are friendly.

reliability for oil and the usefulness that the grant or withdrawal of GSP status might have in encouraging price moderation and supply reliability. While past embargoes would certainly be carefully considered in assessing future supply reliability, they would not necessarily be conclusive in this matter.

(c) Administration witnesses would testify that the basic reason for seeking legislative change is our view that the President ought to be able to have GSP as a tool (albeit a modest one) for developing improved economic relations with those of the OPEC countries that are friendly to us. The Administration would not be seeking, and would not intend to grant, a blanket waiver but rather a country by country waiver based on the principle of achieving improved economic relations, with particular emphasis on reliable supply and moderate price policy for oil.

2. Timing. If your discussions with President Perez make it appear worthwhile to pursue this Option, we would undertake a process of consultation with the Congressional leadership and our other friends in OPEC before introducing legislation. If Congressional or OPEC reaction indicated that the introduction of legislation would not further either the objective of modification of the OPEC exclusion or better relations with friendly OPEC nations, the Administration might not go forward. In any case, because of our desire that this issue not complicate passage of our domestic energy program, careful consideration should be given to whether legislation should be introduced prior to Congressional passage of the energy program.

3. Presentation of Option to President Perez.

(a) You would present the Option in general terms as outlined in 1 and 2 above.*

(b) In addition, you would tell President Perez that we appreciate Venezuela's reliability as a supplier, especially during the embargo and during last winter. Speaking frankly, you would also observe, however, that (i) the public and Congress do not readily distinguish between the embargoing actions of certain OPEC countries and the price actions of OPEC as a whole and (ii) statements (such as the recent one by Venezuelan Minister Perez Guerrero to the UN) that OPEC should use oil as a political weapon make any Administration initiative more difficult. You might inform President Perez

*If you approve this Option, we will work with State and NSC to prepare detailed talking points.

that even raising the issue in the modest way described could cause an adverse domestic reaction -- which you are willing to accept if he thinks pursuit of the Option is worthwhile.

(c) If President Perez thinks the Option represents a step forward and asks you to pursue it, you would indicate that you will begin the exploratory process described in item 2 above. (We are advised by NSC that, although it is far from certain, President Perez' response to the Option is likely to be positive. State believes that to the extent the focus is on price moderation (rather than supply reliability) as a consideration in granting GSP, Perez' reaction is likely to be negative -- nevertheless, State thinks it is worth trying Perez on this and that the Option will evoke a better response than that of refusing to do anything on the issue.)

(d) You would indicate that even with Administration sponsorship, legislation along the lines discussed would be very difficult to get through Congress and you cannot guarantee passage. If the legislation is passed, however, the Administration would look sympathetically on designation of Venezuela for GSP.

(e) Any public statement would indicate only that the matter was carefully discussed. A more positive statement could provoke adverse domestic reaction in light of our domestic energy program, the record trade deficit just announced for the first quarter, and the upcoming OPEC price meeting in July. Frank Moore would like to check with the Congressional leadership on how a positive statement might be received.

4. Passage of the Legislation and Subsequent Administration Action. We are advised that legislation embracing the Option probably would not be passed by Congress. If the legislation were passed, the Administration would proceed to make a determination as to each OPEC country in accordance with the statutory criteria. Some decisions would be fairly easy --e.g., grant GSP to Venezuela, Indonesia, Nigeria; refuse to waive the exclusion for Libya, Iraq. There would, however, be a broad middle group of OPEC countries requiring decisions involving some domestic or foreign policy cost. (State and NSC will probably advise you to grant GSP to all or most of these countries.)

ASSESSMENT OF THE MONDALE OPTION

1. Advantages

The Mondale Option has the virtue of enabling you, if you choose, to be forthcoming with the Venezuelan President

but in a manner which (a) does not discriminate against those other OPEC nations with which we want to maintain good relations (as would, for example, a Western Hemisphere option) and (b) should not provoke an unduly hostile domestic reaction. It would permit you to limit the foreign policy cost inherent in refusing to do anything on this issue and the domestic policy cost inherent in a blanket waiver not tied to some economic criteria. As noted earlier, State and NSC believe that President Perez would probably react to the Option either positively or at least more favorably than to a refusal by you to do anything on this issue.

2. Disadvantages and Other Considerations

(a) GSP is, at best, a very minor bargaining tool. Since GSP is not worth very much (except perhaps symbolically) to the OPEC countries, you will not in fact be able to use it as a tool to secure real concessions on oil prices and supplies. Your decision to waive the exclusion will instead have to be based on improved overall economic relations with the countries involved and some reasonable prospect of reliable supply and price moderation.

(b) The OPEC countries, including Venezuela, will view the Option less favorably than they would an unconditional repeal of the exclusion.

(c) The domestic reaction to any extension of GSP to OPEC countries would be adverse. The labor movement is opposed to GSP generally. The labor movement, the Jewish community, and others will be particularly hostile to the extension of GSP to any Arab countries (see item 3 below).

(d) You, rather than Congress, would have to bear the foreign policy cost of denying GSP to certain of the OPEC countries. Once having granted GSP to certain OPEC countries, you will implicitly have to decide whether or not to remove it after each OPEC action on prices or production levels -- when OPEC imposes inflationary price increases, your decision will involve domestic cost if you do not remove GSP treatment and foreign policy cost if you do.

(e) This kind of legislation would be very susceptible to the attachment of additional amendments. For example, Congress might add a human rights requirement for GSP eligibility for all GSP beneficiaries.

3. Saudi Arabia

Since any extension of GSP to OPEC countries will involve some domestic cost (which the Mondale Option will reduce but

not eliminate), you should consider any extension to a particular country favorably only if it advances our overall foreign policy objectives. State, NSC, and Treasury all advise, on foreign policy grounds, that we should not undertake this initiative if it appears that in the end (assuming the legislation passes and the Administration has to take action) we will grant GSP to some OPEC countries and deny it to Saudi Arabia. They believe that denial of GSP to Saudi Arabia, once the Administration has discretion, would constitute a foreign policy setback sufficient to outweigh any benefits of extending GSP to Venezuela and other OPEC countries. Accordingly, if you believe now that you will not want to use your discretion to waive the exclusion for Saudi Arabia, these agencies would advise against the Mondale Option.

AGENCY VIEWS AND CONCLUSION

The Mondale Option is not the first choice of any of the agencies -- some would prefer that you do nothing on this issue and others would recommend a blanket waiver. All, however, agree that (subject to the Saudi Arabian caveat) if you want to take a foreign policy initiative here, the Mondale Option is a reasonable and prudent approach. We concur. By stressing the use of GSP as a tool and linking its grant to some economic gain for the U.S., the Mondale Option would significantly reduce what we regard as the unacceptable domestic cost involved in a blanket waiver. On the other hand, the Option appears to be sufficiently forthcoming and nondiscriminatory to advance your foreign policy interests.

THE WHITE HOUSE

WASHINGTON

July 11, 1977

The Vice President
Bert Lance
Stu Eizenstat *
Frank Moore *
Jack Watson
Jim Schlesinger

Re: Should the Administration Propose
Some Funding for Research at the
Barnwell Reprocessing Facility?

The attached was returned in the President's
outbox and is forwarded to you for your
information and appropriate action.

Rick Hutcheson

*Copies given to you in Oval Office

THE WHITE HOUSE
WASHINGTON

Park

ACTION
FYI

<input checked="" type="checkbox"/>	MONDALE
<input type="checkbox"/>	COSTANZA
<input checked="" type="checkbox"/>	EIZENSTAT
<input type="checkbox"/>	JORDAN
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<input checked="" type="checkbox"/>	WATSON

<input type="checkbox"/>	ENROLLED BILL
<input type="checkbox"/>	AGENCY REPORT
<input type="checkbox"/>	CAB DECISION
<input type="checkbox"/>	EXECUTIVE ORDER

Comments due to
Carp/Huron within
48 hours; due to
Staff Secretary
next day

<input type="checkbox"/>	FOR STAFFING
<input type="checkbox"/>	FOR INFORMATION
<input checked="" type="checkbox"/>	FROM PRESIDENT'S OUTBOX
<input type="checkbox"/>	LOG IN/TO PRESIDENT TODAY
<input type="checkbox"/>	IMMEDIATE TURNAROUND

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<input type="checkbox"/>	BOURNE
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<input type="checkbox"/>	BUTLER
<input type="checkbox"/>	CARP
<input type="checkbox"/>	H. CARTER
<input type="checkbox"/>	CLOUGH
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<input type="checkbox"/>	FIRST LADY
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<input type="checkbox"/>	KING

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<input type="checkbox"/>	B. RAINWATER
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<input type="checkbox"/>	SCHNEIDERS
<input type="checkbox"/>	SCHULTZE
<input type="checkbox"/>	SIEGEL
<input type="checkbox"/>	SMITH
<input type="checkbox"/>	STRAUSS
<input type="checkbox"/>	WELLS
<input type="checkbox"/>	VOORDE



EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

cc She J & Frank

THE PRESIDENT HAS SEEN.

ACTION

MEMORANDUM FOR: THE PRESIDENT

FROM: *WBC/MSL* W. BOWMAN CUTTER/ELIOT CUTLER *edl*

SUBJECT: Should the Administration Propose Some Funding for Research at the Barnwell Reprocessing Facility?

We raise this issue for your attention because (1) the Senate vote on Senator Hollings' proposal to add \$13 million to ERDA's FY 1978 Budget for Barnwell activities, as adopted by the Senate Committee, is scheduled this Monday, July 11; (2) this vote could significantly affect the Administration's non-proliferation policy; and (3) a potential compromise on this issue exists which you might wish to consider.

BACKGROUND

Authorization of additional funds for the Clinch River breeder reactor and the Barnwell reprocessing plant are scheduled to be voted on by the Senate on Monday. Both votes will be very close and will require an all out effort by the Administration and by you on Monday if we are to win them.

Favorable authorization action in the Senate would likely be followed quickly by favorable appropriation action. The House is expected to follow suit. The international community views the U.S. actions related to the Barnwell plant as more closely linked to non-proliferation than any actions on the Clinch River plant.

Representatives from the Office of Energy Policy and Planning, the Domestic Policy staff and OMB reviewed the activities proposed to be funded with the \$13 million with Barnwell officials in South Carolina on Thursday. Two findings of significance were that (1) the plant owners freely recognize that neither they nor anyone in the private sector will operate the Barnwell reprocessing plant for plutonium recycle or any other purpose, i.e. processing for alternative fuel cycles; and that (2) the activities which the \$13 million would fund at Barnwell do include some activities consistent with our nuclear research policy, non-proliferation policy, and the International Fuel Cycle Evaluation program (IFCEP).

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for Preservation Purposes

This issue should be viewed both from the perspective of the substance of the Administration's nuclear research and non-proliferation objectives and from the perspective of assuring the international community that the Administration continues to control the U.S. Government's non-proliferation policies.

Your alternatives include:

Alternative #1: Maintain vigorous opposition to the Hollings' amendment to add \$13 million to ERDA's FY 1978 budget (by the Senate authorizing committee) for the Barnwell plant.

This alternative is consistent with your April 7 message on nuclear policy which stated that "The plant at Barnwell, South Carolina, will receive neither Federal encouragement nor funding for its completion as a reprocessing facility" (emphasis added). If we successfully oppose the Hollings amendment in the Senate our overall position on reprocessing would be strengthened.

If we lose in this attempt: (1) we would be compelled to continue the cold check-out (the procedures followed in preparation for plant startup) of the Barnwell plant, thus significantly weakening our policy on international reprocessing plants; (2) the Administration's leadership role in making non-proliferation policy would be eroded, making it more difficult in the future to attain our non-proliferation goals both internationally and with Congress.

In addition, this alternative may mean further confusion among Senators as between Barnwell and Clinch River, thus diffusing our efforts on both and lessening our chances of prevailing on Clinch River.

Alternative #2: Seek a compromise with Congressional supporters of Barnwell that would eliminate the most troublesome activities (e.g. the plant check-out) to be funded by the \$13 million but would provide for approximately \$5 million for paper studies, research, and other unobjectionable activities at Barnwell for one year. This funding would be authorized in the form of an ERDA contract, thus placing all activities under direct government supervision and control. Operation of the plant for reprocessing would be prohibited expressly. Finally, this compromise would be offered as a positive, Administration-supported substitute for the Hollings provision now in the bill, with terms defined by the Administration to be consistent with our nuclear and non-proliferation policies, thus still providing for an Administration "win."

This alternative is consistent with your April 7 message since no funds would be provided to Barnwell "for its completion as a reprocessing facility" (emphasis added). This alternative is also consistent with the position on commercial reprocessing we are taking abroad.

This alternative would clearly tie all future activities at Barnwell to IFCEP, which will include reviewing solvent extraction reprocessing techniques as requested by the French government. The prohibition on use of the funds for operation of the plant should remove any doubts about this country's intentions not to proceed towards commercial reprocessing.

If the compromise is accepted, the Administration will maintain its leadership role in making non-proliferation policy. However, since we have previously opposed the \$13 million, this compromise could be interpreted as a sign of a weakening in the Administration's resolve to achieve its non-proliferation goals. Putting the compromise in the terms of a positive, Administration research effort, consistent with our policies, could help turn aside this interpretation.

This compromise could lead to some adverse reaction among environmental groups and others who have supported our position on Barnwell and Clinch River. According to CEQ, they would see this compromise as increasing the eventual prospects for Barnwell's operation as a reprocessing plant.

Your decision:

Alternative #1: Continue effort to delete the Hollings amendment on a rollcall vote. ☐

Alternative #2: Seek a compromise which would provide approximately \$5 million only for those activities related to IFCEP. ☒

This alternative is supported by Department of State, Office of Energy Policy and Planning, Domestic Policy Staff, National Security Council, and OMB. CEQ does not oppose this alternative; but because it believes this alternative poses serious risks, CEQ would favor Alternative #1 if your schedule permitted your personal involvement in the lobbying effort which would be essential given the closeness of the division in the Senate.

All agencies agree that Alternative #2 should be pursued only if an agreement can be reached beforehand with Senators Hollings and Kennedy. Otherwise all agencies recommend pursuing Alternative #1.

ok E
Schlesinger

11 important
J

THE WHITE HOUSE
WASHINGTON

July 11, 1977

Stu Eizenstat -

The attached was returned in
the President's outbox. It is
forwarded to you for your
information.

Rick Hutcheson

Re: Domestic Policy Staff Weekly
Status Report

THE WHITE HOUSE
WASHINGTON

cc Stu
J

July 8, 1977

THE PRESIDENT HAS SEEN.

MEMORANDUM FOR: THE PRESIDENT
FROM: STU EIZENSTAT *Stu*
SUBJECT: Domestic Policy Staff Weekly
Status Report

EDUCATION

Migrant Education: We have begun meetings with a coalition of Hispanic organizations to discuss educational needs of migrant children and administration of federal education programs for migrant children.

Aid to Developing Institutions: Last week we met with representatives of developing institutions (black, Appalachian white, American Indian and Mexican-American college officials) to discuss their concerns about funding under Title III of the Higher Education Act of 1965. One outcome of the meeting is a closer working relationship between the Office of Education and these college officials.

AGRICULTURE AND RURAL DEVELOPMENT

Farm Bill: A memo is being prepared for you on this topic and will be forwarded late this week or early next.

Sugar: We are working with USDA, State, and STR to assess the danger of a Congressional override of your recent decision on this topic and will be forwarding a memo to you early next week.

World Hunger: We are continuing to work with NSC, OSTP, and Peter Bourne's shop to propose a policy initiative on this topic.

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Bert Lance Memo on USDA Appropriations: We are preparing a memorandum for you to send to Secretary Bergland asking for an assessment of the Department's agricultural conservation program. It will be ready early next week.

National Forest Timber Bidding: We have a paper on national forest timber bidding practices prepared by the USDA and are working with OMB to prepare a report to you on this topic.

HUMAN RESOURCES

Welfare Reform: We will meet again with HEW, Labor and Charlie Schultze on preparation of the welfare reform decision memorandum based on the work since May 2. We hope to have the memo to you next weekend and a meeting with you the following week.

Social Security: We have worked with OMB and HEW to resolve the final disagreements on the social security draft legislation. The financing proposals as well as the cost reduction proposals have all been cleared for submission.

Age Discrimination: We are circulating a memorandum from the Labor Department for comments by interested agencies on increasing the range of the age discrimination act to age 70. This would have the effect of voiding most mandatory retirement requirements in private industry and state and local governments. We expect to have a decision memorandum to you by tonight. Chairman Campbell has testified against mandatory retirement in the federal civil service.

*Let's Move
on The
15000*

Indo-Chinese Refugees: HEW has sent a request to OMB to phase out the Indo-China refugee assistance program over three years rather than at the end of FY 1977 as proposed in the budget. At the same time, the State Department is seeking to have 15,000 additional refugees admitted to the country. We are working with OMB and NSC to make sure these two decisions are coordinated.

HOUSING AND URBAN DEVELOPMENT

Impact of Welfare Reform Upon Subsidized Housing: Working with OMB and HUD on analysis to be completed July 20.

Federal Home Loan Bank Board: Providing substantive briefings and written testimony for Bob McKinney and meeting with consumer opponents to his nomination in order to attempt to overcome this opposition. At least six of fifteen Banking Committee Senators are undecided at present. Frank Moore is directing Congressional lobbying.

Redlining: Setting up interagency task force. First meeting was on June 22.

Tris Ban: Mediated solution postponed due to South Carolina court ruling which lifts the ban. Appeal proceedings underway. Vernon Weaver intends to meet with garment workers and manufacturers to resolve economic injury questions. SBA's Vernon Weaver, Bill Keel and Bill Hawkes have performed exceptionally well on this matter.

Indian Housing Program: Indian tribes have expressed major dissatisfaction with delivery aspects of this program. We are working with HUD, BIA, HEW, OMB, and the reorganization team on streamlining.

REGULATORY REFORM PROJECTS

Regulatory Reform Agenda: Regulatory Working Group is drafting a decision memo for you. Target date is July 15.

Surface Transport Reform: Following your meeting with Secretary Adams, task force is studying and preparing decision memo for you on options for surface transport reform. First meeting was on June 13. DOT memo will circulate to agencies on July 15.

Airline Regulatory Reform: We are continuing to assist the Senate committee in revising the air bill, and we have begun to meet with interested agencies (including the Labor Department) to discuss whether statutory labor protection provisions are necessary.

Broadcast Deregulation: Under the supervision of Barry Jagoda and the Policy Staff, OTP has initiated a review of possibilities for deregulation measures in the broadcast area. We plan to get a strategy options paper to you within two weeks.

Financial Institutions Regulatory Reform: Treasury legislation has gone to Hill. Task Force will be formed to develop longer-term reform proposals.

Coordination of Toxic Substances Regulation: Working with CEQ and EPA on agenda. Report to you on July 15.

CIVIL SERVICE MATTERS

Republican Hold-over Appointees: After a recent Congressional breakfast, you asked that I look into the problem of Republican hold-over appointees at both the Federal and regional level. I have since met several times with Scotty Campbell, and recently with Hamilton and Jim King, to explore the seriousness of the problem. We will have a memo to you shortly which will include a number of actions you can take to remedy the situation.

Part-Time Employment: Along with OMB and the Civil Service Commission, we are studying how part-time federal employment can be expanded. A decision memo to you within two weeks.

INTEGRITY AND OPENNESS MATTERS

Hatch Act Reform: We are working with the Civil Service Commission to develop testimony for upcoming Senate hearings, and with Frank Moore's staff on Senate legislative strategy.

Public Financing of Congressional Campaigns: We are working with the Vice President's staff, Frank Moore's staff and Senate staff on policy and legislative strategy prior to Senate floor vote.

Executive Order on Logging: Memo prepared by Justice has been reviewed. Justice has submitted a draft executive order which will be in to you by July 16.

Revision of Security Classification System: The interagency committee, which we are co-chairing with NSC, has begun work. A first draft of the new executive order should be ready this month.

Lobby Reform: Working with OMB and Justice to develop statutory language on executive branch lobbying for inclusion in the House and Senate bills.

FBI's National Criminal Information System: The Justice Department has delayed implementing its proposed changes in the guidelines on FBI operation of the national computer hook-up. Justice is reviewing the matter with us and with interested Congressmen. We will advise you when Justice is ready to make a decision: mid-July at the earliest.

WOMEN

International Women's Year: We have begun work with the staff of the International Women's Year Committee on the IWY Conference to be held in Houston this November.

HEALTH

National Health Insurance: The next meeting of the Advisory Committee on National Health Insurance will be on July 13 and 14 in San Antonio and Austin, Texas. There will be a subsequent meeting on July 29 and 30 in Wisconsin.

BUDGET

Our staff and OMB will be meeting together with the agencies over the next few weeks to discuss legislative work to be conducted over the summer in light of your Spring budget review. We have obtained preliminary agency legislative requests for FY 1979, and , in close cooperation with OMB, we will be synthesizing these with the budget realities.

COMMUNICATIONS

Federal Film-Making: A draft OMB circular to control spending and consolidate facilities has been circulated to the agencies.

Minority Concerns: We have met with several Black and Hispanic groups that want to increase the number of broadcasting stations owned by minorities. Proposals to use existing Federal loan programs are being explored.

Rural Telecommunications: An interagency task force is drafting proposals to use new communications technology to improve health and education in rural areas and to expand T.V. service. Funding from existing programs such as the Rural Electrification Administration is being explored.

POSTAL SERVICE

The Postmaster General asked the Board of Governors to file for a new consumer stamp based upon your letter of inquiry on the subject. The Vice President has asked us to meet with the heads of all the postal unions next week. A detailed memorandum outlining your options on postal policy will be submitted on Friday, July 15.

LABOR

Labor Law Reform: Follow-up analysis of unsolved issues to you by July 11.

Humphrey-Hawkins: CEA has a draft alternative bill in hand. We will meet over the weekend to discuss details.

Independent R & D: Per your request an assessment to you by July 14.

Patents: Assessment to you by July 14.

Waiver of Dual Compensation for Retired Military Officers:
At your request a paper summarizing your options will be forwarded by July 12.

CIVIL RIGHTS AND JUSTICE

Privacy Protection Study Commission: The Privacy Protection Study Commission is to issue its report on July 12. We are reviewing advance copies of the report to develop possible Administration initiatives.

Will have to act -
Undocumented Aliens: In accordance with your comments on our memorandum we are consulting with groups and Congressional leaders. Mexican consultations took place July 1. They would prefer we did nothing and hope that all aliens in this country can be encouraged to stay. I met last week with Senators Kennedy, Eastland, Cranston, Bentsen, DeConcini, and Hathaway. I believe there is a chance several (and perhaps all) will sponsor our bill.

Handguns: Justice will be forwarding proposed draft legislation.

Class Actions: Justice is developing legislation to improve access to Justice through class actions. We have met with them to discuss their proposals.

Nixon Tapes: I have talked with Jay Solomon as a follow-up to a notation on my memorandum. We will be meeting next week to further discuss the subject.

ECONOMICS AND BUSINESS

Tax Reform: We continue to consult with Treasury, CEA and outside experts such as Joe Pechman and Stanley Surrey.

Minority Business: Memo on Administration minority business initiatives to you early next week.

Trade Deficit: I am working with Charlie Schultze, Secretary Blumenthal and Secretary Kreps on this problem.

IRS Policy of Crediting Oil Firms for Cartel Taxes: We have drafted a reply to Senator Church's letter to you concerning this policy.

ENERGY AND NATURAL RESOURCES

Alaskan Natural Gas: Agency comments on the FPC decision submitted July 1. Working with Schlesinger's staff to develop schedule and information to reach final decision.

Clinch River Breeder Reactor: House and Senate floor action put off until after July 4 recess. Continuing to coordinate lobbying efforts with Frank Moore and Jim Schlesinger.

Comprehensive Energy Package: We will meet next week with Treasury, CEA, Dr. Schlesinger, and Frank Moore to prepare strategy for the Ashley Committee.

Oceans Policy: We are working on a response to the Hollings-Magnuson letter with the Commerce Department.

MISCELLANEOUS

Presidential Reports to Congress: At your request, we have obtained a list of all such required reports and will have a memo to you soon.

THE WHITE HOUSE
WASHINGTON

July 11, 1977

Jody Powell -

The attached was returned in
the President's outbox. It is
forwarded to you for your
information.

Rick Hutcheson

Re: Captain Lance P. Sijan

THE WHITE HOUSE
WASHINGTON

of top page

ACTION	FYI
<input type="checkbox"/>	MONDALE
<input type="checkbox"/>	COSTANZA
<input type="checkbox"/>	EIZENSTAT
<input type="checkbox"/>	JORDAN
<input type="checkbox"/>	LIPSHUTZ
<input type="checkbox"/>	MOORE
<input checked="" type="checkbox"/>	POWELL
<input type="checkbox"/>	WATSON

<input type="checkbox"/>	ENROLLED BILL
<input type="checkbox"/>	AGENCY REPORT
<input type="checkbox"/>	CAB DECISION
<input type="checkbox"/>	EXECUTIVE ORDER
	Comments due to Carp/Huron within 48 hours; due to Staff Secretary next day

<input type="checkbox"/>	FOR STAFFING
<input type="checkbox"/>	FOR INFORMATION
<input checked="" type="checkbox"/>	FROM PRESIDENT'S OUTBOX
<input type="checkbox"/>	LOG IN/TO PRESIDENT TODAY
<input type="checkbox"/>	IMMEDIATE TURNAROUND

<input type="checkbox"/>	ARAGON
<input type="checkbox"/>	BOURNE
<input type="checkbox"/>	BRZEZINSKI
<input type="checkbox"/>	BUTLER
<input type="checkbox"/>	CARP
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<input type="checkbox"/>	B. RAINWATER
<input type="checkbox"/>	SCHLESINGER
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<input type="checkbox"/>	VOORDE

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7/8/77

THE WHITE HOUSE
WASHINGTON

Thanks -
J

Mr. President -

THE PRESIDENT HAS SEEN.

This guy was a
friend of mine at
WAPA. He was a
great guy. I don't
often send you stuff you
don't need to read, but
you might want to read
this. It helps to
understand why Viet
Nam may not be so

(2)

THE WHITE HOUSE
WASHINGTON

easy to forget for
some people.

I'm sure there were
equally L with examples
on the other side, but
it's had to be sophisticated
and objective when it passed.

For

DEPARTMENT OF THE AIR FORCE
WASHINGTON, D.C. 20330



OFFICE OF THE SECRETARY

THE PRESIDENT HAS SEEN

Mr. Jody Powell
The White House
Washington, D. C. 20006

Dear Mr. Powell:

*Jody -
Do?
you?
is*

In the attached issue of AIRMAN Magazine is the story of Captain Lance P. Sijan, who was awarded the Medal of Honor posthumously. In the course of my interviews with Captain Sijan's acquaintances, I was informed by Suzanne Speed Pack of Garland, Texas, that you were one of Captain Sijan's close friends.

I have sent copies of the magazine to several of Captain Sijan's friends—Mike Smith, Bart Haladay, Wendell Harkleroad—and am taking the liberty of forwarding one to you.

Sincerely,

FRED A. MEURER, Lt Col, USAF
Special Assistant to Commander
Command Services Unit
Office of Information

1 Attachment
June AIRMAN Magazine



1:30 PM

THE PRESIDENT HAS SEEN.

THE WHITE HOUSE

WASHINGTON

July 8, 1977

C

AWARD CEREMONY FOR THE MEDAL OF FREEDOM

Monday, July 11, 1977
1:30 p. m. (15 minutes)
The Rose Garden

From: Greg Schneiders *Greg*

I. PURPOSE

To confer the Presidential Medal of Freedom on Dr. Jonas Salk for his contributions in the field of health and on Dr. Martin Luther King, Jr. (posthumously) in recognition of his achievements in the struggle for human rights.

II. BACKGROUND, PARTICIPANTS AND PRESS PLAN

A. Background: You will first present the award to Dr. Salk. The text of the citation accompanying the medal is at Tab A. The Military Aide will accompany you to this ceremony. He will have the original of the citation and the Medal of Freedom. Former Presidents have not followed a single set procedure for actual presentation of the Medal. I would recommend that, following your informal remarks of greeting, the citation be read. You would then present the Medal of Freedom to Dr. Salk (the Aide will assist you in the pinning and arranging of the Medal and its sash).

You will then present the award to Mrs. Martin Luther King, Jr. After the citation is read, Tab B, I suggest that you hand the Medal to Mrs. King.

Following the ceremony there will be a reception in the Rose Garden for the Salks, the Kings and their invited guests.

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- B. Participants: Dr. Jonas Salk, Francoise Gilot Salk, Coretta King, Reverend Martin Luther King, Sr., the invited guests (list at Tab C).
- C. Press Plan: The ceremony will be covered by the Press. These arrangements will be coordinated by the Press Office.

III. TALKING POINTS

See attached memorandum from Jim Fallows, Tab D.

To Dr. Jonas E. Salk

Because of Dr. Jonas E. Salk, our country is free from the cruel epidemics of poliomyelitis that once struck almost yearly. Because of his tireless work, untold hundreds of thousands who might have been crippled are sound in body today. These are Dr. Salk's true honors, and there is no way to add to them. This Medal of Freedom can only express our gratitude, and our deepest thanks.

TAB B

To Martin Luther King, Jr.

Martin Luther King, Jr. was the conscience of his generation. He gazed upon the great wall of segregation and saw that the power of love could bring it down. From the pain and exhaustion of his fight to fulfill the promises of our founding fathers for our humblest citizens, he wrung his eloquent statement of his dream for America. He made our nation stronger because he made it better. His dream sustains us yet.

TAB C

MEDAL OF FREEDOM CEREMONY - GUESTS

Francoise Gilot Salk
Jonathan Salk (son)
Elizabeth Moore
Darrell Salk (son)
Patricia Salk (daughter-in-law)
Claude Picasso (step-son)

Honorable David Bazelon
James M. Connolly

Chief Judge, U.S. Court of Appeals
President, Georgia Warm Springs
Foundation

Dr. Frederick de Hoffmann

President, Salk Institute for
Biological Studies

Ambassador Sol Linowitz
Joseph Nee

President, National Foundation of
the March of Dimes

Martin Luther King, III. (son)
Bernice King (daughter)
Yolanda King (daughter)
Edith Scott Bagley Mrs. King's sister
Arthur Bagley
Autro Bagley

Reverend Ralph Abernathy
John Lewis
Lillian Lewis
John Miles Lewis (one year)
Clarence Mitchell
Reverend Jesse Jackson

MEMBERS OF CONGRESS

U. S. Senate

Robert Byrd
Alan Cranston
S.I. Hayakawa
Hubert Humphrey
Jacob Javits
Edward Kennedy
Sam Nunn
Herman Talmadge

U. S. HOUSE OF REPRESENTATIVES

Yvonne Burke
Shirley Chisholm
Bill Clay
Cardiss Collins
John Conyers
Ron Dellums
Charles Diggs
Walter Fauntroy
Harold Ford
Wyshe Fowler
Augustus Hawkins
Barbara Jordan
Ralph Metcalfe
Parren Mitchell
Tip O'Neill
Charles Rangel
Louis Stokes
Robert Wilson

Mayor Walter Washington

THE WHITE HOUSE

WASHINGTON

July 8, 1977

MEMORANDUM TO THE PRESIDENT

FROM: JIM FALLOWS *Jw*
SUBJECT: Presidential Medal of Freedom

Achsah Nesmith suggests these talking points:

1. The Presidential Medal of Freedom is the highest civilian award given by this government. Originally given by President Truman for wartime service, the concept was expanded in 1963 to include especially meritorious contributions to the security or national interests of the United States, world peace or to cultural or other significant achievements.
2. This is the first time you have made these awards, and you chose to restrict them to two people whose contributions have significantly changed the lives of all Americans for the better -- one in the field of health, the other in the field of human rights. The world has long honored these two men and their achievements, and it is fitting that their own government do so.
3. In 1952, before the Salk vaccine was available, there were over 57,000 cases of polio in this country and 3,300 people died. Dr. Salk's work freed us from the fear and suffering caused by a terrible disease. He accomplished the great dream of medical science -- to prevent epidemics of a devastating disease.

4. Dr. King's work helped us overcome our fear and ignorance of each other, and the waste and injustice of separation and discrimination.

A. Beaten, jailed, castigated -- he set a daily example of returning love and forgiveness for hatred and persecution. He provided both leadership in the streets and a philosophy of non-violent revolution derived from his study of Mahatma Gandhi and his own strong Christian faith.

B. He spoke out not only for the rights of his own people at home, but was one of the first to speak out when he felt his country was engaged in an unjust war. He lived to see the Public Accommodations and Voting Rights Acts passed and to be honored by kings. But he continued to his last days to fight for the rights of the poorest and humblest among us. Much of his dream has come true. His inspiration will help us make the rest a reality.

THE WHITE HOUSE
WASHINGTON

July 11, 1977

Tim Kraft -

The attached was returned in
the President's outbox. It is
forwarded to you for appropriate
handling.

Rick Hutcheson

Re: Organized Crime Meeting

MEMORANDUM

THE PRESIDENT HAS SEEN.

THE WHITE HOUSE

WASHINGTON

July 9, 1977

MEMORANDUM FOR:

THE PRESIDENT

FROM:

RICK HUTCHESON *Rich*

SUBJECT:

Status of Presidential Requests

Follow-up of Previous Reports:

1. Eizenstat: Prepare a draft message to Congress on the opportunity for regulatory reform and consult with the Cabinet -- In Progress, (with Eizenstat, expected 7/14, previously expected 7/7).
2. Jordan: Let's firm up the Renegotiation Board -- In Progress.
3. Bell: Progress on court reform -- Done; organized crime -- Done. *I want a meeting*
4. Bourne: We should prepare an overall message regarding drugs, (Stu reviewing final draft, expected 7/11).
5. Lipshutz: Disposition of Papers of White House Staff Members -- In Progress, (expected 7/15). Disposition of Presidential Papers -- In Progress, (expected 8/8).
6. Brown: What are we doing to expedite reclassification of the Viet Nam MIA's? -- Done. Prepare procedure and submit to the President; do case work on files in the meantime. The President will decide date for DOD announcement, keep on schedule -- In Progress, (with DOD, detailed plan expected for the President's review 7/12, previously expected 7/8).
7. Jordan: See the President concerning the the Schneiders' memo on White House Projects -- Message Conveyed.

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8. Bell: You know the President's promise to make the Attorney General independent of White House control and influence. Please consult with your advisors and prepare draft legislation, expedite -- Done. *not complete*
9. Vice President, Moore, Jordan: Work out the judicial selection committee in states with no Democratic Senators; let Democrats do it. Setting up top flight selection committee comes first -- In Progress, (9 of 13 completed).
10. Brzezinski: (Confidential) Vance and Bell should discuss Visa Policy with Eastland and Rodino, perhaps McGovern Amendment. Then the President will see the Congressional leaders -- In Progress, (meetings have taken place with Eastland and Rodino; recommendations regarding McGovern Amendment in progress with White House staff, Justice and State, expected 7/13).
11. Brzezinski, Chip Carter, Bourne, Eizenstat: Get together and let the President know what we can do about world hunger -- In Progress, (Task Force being formed; timetable being developed next week).
12. Eizenstat: Can we issue instruction precluding waiver of dual compensation limitations for retired military officers -- In Progress, (with Eizenstat and OMB, expected 7/12, previously expected 7/7).
13. Eizenstat: Advise on memo concerning Patents and on Independent Research and Development -- In Progress, (with Eizenstat and OMB, expected 7/14, previously expected 7/7).
14. Califano: Go over Treasury Plan (tentative) on tax reform with Eizenstat or Schultze -- On-going.
15. Eizenstat: Comment on the letter from the National League of Postmasters' President, Eugene Dalton regarding personnel structure of the postal service -- In Progress, (expected 7/9, previously expected 7/5).
16. Schlesinger: (Personal and Confidential) Please comment on the GSA estimate concerning the Department of Energy location -- Done. *Joint proposal due to come to me*

17. Kreps, Eizenstat: Comment on the letter from Sens. Magnuson and Hollings on the Nation's ocean program -- In Progress, (expected 7/14, previously expected 7/7).
18. Blumenthal: Several people think that EPG meetings are too large. Try to limit total attendance to no more than 15, please comment -- In Progress, (Status report expected 7/9 from Schultze, Blumenthal and Eizenstat).
19. Schultze: Go over 6/15 memo on investment and business taxation with Mike and Larry -- Done, (6/25). *done*
20. Lipshutz, Eizenstat: Let the President review and then talk with the Attorney General about draft handgun control legislation -- In Progress, (with Attorney General, expected 7/13, previously expected 7/8).
21. Kraft: Please schedule Sen. Mark Hatfield for 15 minutes -- Done, (scheduled for 7/15). *done*
22. King: Let the President know why it is necessary for Jean Wilkowski to have the rank of Ambassador while serving as Coordinator of U.S. Preparations for the U.N. Conference on Science and Technology for Development -- In Progress, (with State, expected 7/12, previously expected 7/6).
23. Jordan: (Confidential) Is Harold Murphy the best man and the choice of Nunn and Talmadge for U.S. District Court Judge for the Northern District of Georgia?-- Done. *done*
24. Marshall: Check the CHICAGO TRIBUNE story stating that city employees were hired at salaries up to \$20,000 under stimulus program and report back to the President -- In Progress, (Status report submitted 7/6, but found inadequate by the President. Marshall gave the President an updated report at the 7/8 meeting.) *done*
25. Eizenstat: Get Pat Harris' brief comments concerning the follow-up to the HUD budget review session -- Done. *done*
26. First Lady: Let Amy write to Mary Marks (daughter of Congressman Marks) concerning a possible visit to the White House -- In Progress.

27. Eizenstat: Prepare answer as discussed with the President regarding the Frank Church letter on IRS rulings permitting payments to OPEC cartel countries to be credited against U.S. taxes -- In Progress, (with Stu and Treasury).
28. Watson: We need a way to handle emergencies a la Cloyd Hall's in Georgia when the President was Governor. Check with Frank and make a recommendation -- In Progress, (expected 7/12).
29. Costanza: How soon can we appropriately terminate the Women's Year Conference? -- Done. *done*

July 1:

1. Why Mississippi? There is no substance or reason for the first day -- assess things like oil well visit in gulf disaster handling, etc.; time schedule is O.K. Check with Secretary Kreps regarding Carolina Coast visit for the Southern trip 7/20-1 -- In Progress, (President reviewing redrafted schedule). *done*
2. Jordan, Brzezinski: Prepare congenial answers; these papers are the arguments we must prepare to answer -- concerning the letter from 4 former Chiefs of Naval Operations on the Panama Canal -- In Progress.

July 5:

1. Eizenstat, Watson: Give the President a list of all required reports from the Executive to the Congress; the President will try to eliminate some -- In Progress.
2. Brzezinski: On the letter from the Senate Leaders, Sen. Humphrey suggested to the President that there should be a statement thanking them -- sometime this week. Work out brief text with the Vice President and Hamilton -- Done. *done*

July 6

1. Eizenstat: Let someone read the description of the shipping port breeder and potential for the future memo, sent by Adm. Rickover; the President will throw the switch in August or September -- In Progress. done
2. Jordan: Horace Tate is a good man; read his memo and use him on something -- In Progress. Also, send copies of his South Africa notes to the Vice President and to Brzezinski -- Done. done

July 7:

1. Brzezinski: Let State assess your more comprehensive "Four Year Goals" -- In Progress. To Cy
done
2. Lipshutz: Assess the President's campaign statements on the Attorney General. It was Bell's idea to begin with, concerning campaign commitment to establish an independent Attorney General -- In Progress, (expected 7/15).
3. Jordan: Have Joseph Hendrie come in so that the President can discuss items from Frank Press' memo concerning Chairman, Nuclear Regulatory Commission -- In Progress.
4. Eizenstat: Briefly assess Senator Kennedy's press release on tax reform and simplification proposal; marginal notes O.K. -- In Progress.
5. Schneiders: Talk to Senator Percy and/or Senator Humphrey regarding your memo concerning youth and the Administration. Let's not duplicate what they are doing; for young people world hunger may be better -- In Progress.
6. Jordan: Reassess the memo concerning Director, Peace Corps -- In Progress.

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3B

C

MEMORANDUM OF INFORMATION FOR THE FILE

DATE July 11, 1977

EXECUTIVE

FB6-11
PR5-2
PE1

~~LETTER, MEMO, ETC.~~

TO: Senator Abraham Ribicoff^x

FROM: The President

SUBJECT: Financial Matters of Bert Lance^x

CORRESPONDENCE FILED

PRESIDENTIAL
HANDWRITING FILE

RECEIVED
JUL 11 1977
FBI - WASH DC

The President
The White House
Washington, D. C. 20500

Dear President Carter:

We are taking the liberty of writing you regarding a serious problem that, quite a part from personal considerations for Bert Lance, is burdensome for stockholders large and small of the National Bank of Georgia who purchased stock based largely on faith in Bert and his ability to operate the bank.

In June 1975, after Bert became associated with NBG, interests which he, Dan Pattillo and John Stembler represented, acquired approximately 60% of the stock in the bank from Financial General Bankshares, Inc. Shortly before Lance was appointed to the Cabinet, the stock traded in the range of \$18.00 to \$19.00. Today, the Atlanta Constitution lists it at \$12.50 bid, \$13.50 asked.

In our judgement this decrease in price is attributable to his acceptance of a position in your Cabinet and in turn being asked to dispose of his stock by the end of 1977. Again, a part from its effect on Lance personally, this requirement has worked a severe, an obviously unintentional, hardship on all other stockholders of the National Bank of Georgia. On their behalf, we request your approval and support for elimination of any requirement for sale of the Lance stock in NBG.

If this can be accomplished, Messrs Pattillo and Stembler would then join with Lance in making known that none of the large blocks of stock held by their interests are for sale now or in the foreseeable future. This would permit the stock to seek its own level in an open market without being adversely affected by the present requirement for sale of a large portion of the bank's outstanding stock.

His stock is now held in a blind trust which seems to us should adequately insure that he will not be improperly enriched because of his position in your Cabinet. On the other hand, neither should he nor the other stockholders be adversely affected because of his acceptance of said position. In our judgement this has been and will be the result unless the requirement of sale of the Lance stock is eliminated.

Yours very truly,

Harold Brockey
John H. Stembler

March 23, 1977

THE WHITE HOUSE

WASHINGTON

July 11, 1977

Dear Mr. Chairman:

When I discussed with Bert Lance in November of 1976 his willingness to serve as Director of OMB in my Administration, I was aware not only of the significant ownership interest he held in the National Bank of Georgia but also of the debt structure involved in that ownership.

At that time, he and I felt it highly desirable that Mr. Lance divest himself of his NBG stock, that he do so prudently and as soon as possible, but without significant financial hardship on his part.

As a result, and as you know, Mr. Lance placed his holdings in a trust with instructions to the Trustee that he divest the trust of all NBG stock by December 31, 1977.

Subsequent events as they relate to NBG-- supported by the attached letter and by a prior earnings performance for the first half of 1977--indicate that this arrangement and the obligation to sell all of Mr. Lance's NBG stock by December 31, 1977, now contribute to a substantial artificial lowering of the stock price.

Therefore, I have indicated to Mr. Lance my intention to modify our understanding to the extent that the NBG stock held by Mr. Lance's present Trustee be conveyed to a new qualified corporate Trustee under terms of a similar trust.

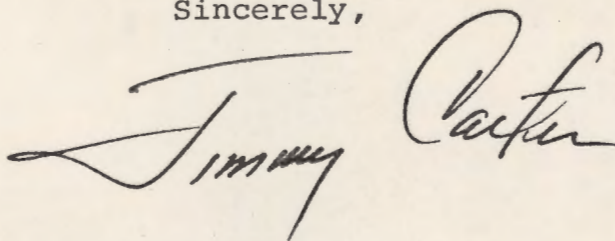
The corporate Trustee will be requested by Mr. Lance to dispose of all of the NBG stock in a prudent fashion but without burden of a specific sale deadline.

The initial understanding reached by me with Mr. Lance for him to sell all of his NBG stock by December 31, 1977, is not required by current federal law or by the Carter-Mondale Guidelines on Conflicts of Interest, but resulted from our mutual assessment and desire at that time. However, for the reasons set out above, this additional requirement has placed an undue financial burden on Mr. Lance, as well as on NBG.

Mr. Lance has indicated that this modification will be desirable and acceptable to him, but would be inconsistent with the agreement he has with you, and therefore he cannot accept my proposal without your approval.

Would you please advise whether the proposal, to transfer all of Mr. Lance's NBG stock to a corporate Trustee with a request to the Trustee to sell such stock at such times as it deems appropriate, is acceptable to you?

Sincerely,

A handwritten signature in cursive script, reading "Jimmy Carter". The signature is written in dark ink and is positioned below the word "Sincerely,".

The Honorable Abraham Ribicoff
Senate Governmental Affairs Committee
United States Senate
Washington, D.C.

THE WHITE HOUSE

WASHINGTON

July 11, 1977

Stu Eizenstat
Frank Moore
Jack Watson

Re: Amendments to the Small
Business Administration
Disaster Loan Program

The attached was returned in the President's
outbox and is forwarded to you for your
information and appropriate action.

Rick Hutcheson

THE WHITE HOUSE
WASHINGTON

July 9, 1977

THE PRESIDENT HAS SEEN.

MEMORANDUM FOR: THE PRESIDENT
FROM: STU EIZENSTAT *Stu*
LYNN DAFT *lyn*
SUBJECT: Amendments to the Small Business
Administration Disaster Loan Program

In response to our June 27 memo on this topic (Tab A), you asked if any action was necessary. Since Congressman Neal Smith, Chairman of the House Small Business Committee, is in substantial agreement with the Administration position, we would recommend holding firm on that position. We would also suggest that Frank Moore reinforce our stand through conversation with Neal Smith.

DECISION

☒ Agree
☐ Disagree

[Handwritten signature]

For your information, a copy of the June 3rd decision memo on this topic is also attached (Tab B).

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for Preservation Purposes**



THE PRESIDENT HAS SEEN.

THE WHITE HOUSE

WASHINGTON

June 27, 1977

*Stu -
Is any action nec-
essary? C*

MEMORANDUM FOR: THE PRESIDENT

FROM: STU EIZENSTAT *Stu*
LYNN DAFT *LD*

SUBJECT: Amendments to the Small Business
Administration Disaster Loan Program
(Prepared At Your Request)

This is in follow-up to your discussion earlier this week with Senator Byrd about his legislative proposal to liberalize terms of the Small Business Administration (SBA) disaster loan program.

A comparison of the additional budget costs associated with four options, including Senator Byrd's proposal (H.R. 692), is attached. SBA currently charges 6 5/8% to both homeowners and businesses; the Farmers Home Administration (FmHA) charges 5% under their emergency loan program. H.R. 692 provides: (a) a sliding scale interest rate for home loans between 1% and 3%, depending on the amount of the loan; (b) a home loan forgiveness of \$1,000 to \$3,000, depending on the relative magnitude of loss; (c) an interest rate of 3% for SBA disaster business loans and FmHA emergency loans; (d) authority for SBA to approve economic injury loan assistance on certification of the Governor of a State that a business has suffered substantial economic loss (without necessarily having sustained physical damage); and (e) all benefits relating to the SBA program are retroactive to July 1, 1975 and those relating to the FmHA program are retroactive to July 1, 1976. The remaining options exclude the forgiveness provision and set interest rates at varying levels between 3% and 5%, as indicated.

A couple points need to be made regarding the attached budget estimates: (a) Not all the costs shown would occur this fiscal year. In the case of option #1, for example, about \$90 million would accrue the first year with the remainder spread over the remaining life of the loans -- an average of 10 years, 10 months for SBA and 7 years for FmHA. Of course the interest cost would accumulate through time, as additional loans are made each year. (b) Given the difficulty of predicting loan demand, the projected level of loan activity should be viewed as only a rough approximation of what will actually be encountered.

You will note that two features of Senator Byrd's proposal, namely the forgiveness and retroactive features, account for much of its cost. Of the total estimated cost of \$208.2 million for loans made for FY 76 through FY 78, \$143.3 million is associated with the retroactive feature and \$52.1 million with the forgiveness provision. Lowering the FmHA interest rate from 5% to 3% also adds substantially to program cost since that program has been operating at a high level.

As a result of your earlier decisions (a copy of the June 3rd decision memo is attached), the Administration has testified in support of changes consistent with Option #3, without a retroactive provision. This would result in additional life of loan costs at the projected level of annual loan activity of about \$16.9 million.

Senator Byrd indicated at his Oval Office meeting with you that he would be willing to give up the forgiveness feature.

	Retroactive ¹	Projected ²
<u>Option #1 (H.R. 692)</u>		
home, 1-3%		
forgiveness	40.0	12.1
interest	39.2	12.1
insulation ³	8.5	--
business, 3%		
SBA	35.5	11.6
FmHA	<u>20.1</u>	<u>29.1</u>
TOTAL	143.3	64.9
<u>Option #2</u>		
home, 3%	37.6	11.6
business, 3%		
SBA	35.5	11.6
FmHA	<u>20.1</u>	<u>29.1</u>
TOTAL	93.2	52.3
<u>Option #3 (Administration)</u>		
home, 3%	37.6	11.6
business, 5%	<u>16.4</u>	<u>5.3</u>
TOTAL	54.0	16.9
<u>Option #4</u>		
home, 5%	17.3	5.4
business, 5%	<u>16.4</u>	<u>5.3</u>
TOTAL	33.7	10.7

¹Assumes provisions contained in H.R. 692 which makes SBA program retroactive to July 1, 1975 and FmHA program retroactive to July 1, 1976.

²Assumes future annual program level of \$100 million for SBA (divided equally between home loans and business loans) and \$325 million for FmHA. Though difficult to predict, SBA loan activity will probably be higher than this in future years. SBA disaster loans have ranged from \$1.5 billion in FY 1973 (Hurricane Agnes) to less than \$150 million in both FY 1975 and FY 1976.

³Estimated cost of provision that allows for home insulation improvements of up to \$2,000 per home loan. Projected cost is reflected in forgiveness and interest figures.

XC. *Lynne*
Bert
David

THE WHITE HOUSE
WASHINGTON

June 9, 1977

Bert Lance
Stu Eizenstat
Frank Moore
Jack Watson

Re: Administration Position on Small
Business Administration Authorization
and Disaster Assistance Legislation

The attached was returned in the President's
outbox and is forwarded to you for your
information and appropriate action.

Rick Hutcheson

THE PRESIDENT HAS SEEN.

THE WHITE HOUSE

WASHINGTON

June 3, 1977

MEMORANDUM FOR: THE PRESIDENT

FROM: BERT LANCE
STU EIZENSTAT
LYNN DAFT

Jan
Stu
L

SUBJECT: Administration Position on Small
Business Administration Authorization
and Disaster Assistance Legislation

The Senate recently passed H.R. 692, the Small Business Administration (SBA) omnibus authorization bill for FY 1978, but with differences from the House passed bill. The House Select Committee on Small Business has scheduled hearings for June 9th and 13th to reconsider the reported bills. The Administrators of SBA and FDAA have both been called as witnesses and will be expected to present the Administration position.

There are two issues regarding this bill that merit your consideration. One is the authorization levels provided for existing SBA loan programs; the other concerns several proposed changes in the SBA and Farmers Home Administration (FmHA) disaster loan programs.

Authorization Levels

Both bills contain line items authorizing loan levels for both FY 1978 and FY 1979 that are substantially in excess of your FY 1978 budget request and your preliminary FY 1979 planning estimates. The Senate bill would authorize loans of \$5.9 billion in FY 1978 and the House bill \$5.7 billion, in comparison with your budget request of \$3.5 billion. If enacted, these authorizations would provide increased pressure for full funding which could add to FY 1978 outlays and would contribute to the difficulties of achieving a balanced budget in 1981. A comparison of the House and Senate recommendations and your FY 1978 budget is attached as Tab A.

SBA argues that higher authorization levels are needed, though they would prefer that Congress refrain from tying the authorizations to individual line items. They argue

that the demand for SBA loan funds now exceeds the supply and that the tax revenues generated by these loans exceeds their direct cost to the Federal Government.

Disaster Loan Programs

Following the recent floods in Appalachia, Senators Byrd and Randolph and Congressman Rahall introduced legislation to amend the terms of the SBA disaster loan program. A modification of their proposal is included as Title VIII of H.R. 692, as passed by the Senate.

You will recall that Governor Rockefeller appealed for your support for this legislation in a recent letter (Tab B). He emphasized the need for lower SBA interest rates, 3% across the board in the original bill. A copy of the response you drafted is also attached (Tab C). Since the proposal was substantially changed from its original form and because there were serious agency objections to the bill, this response has not been sent. Senator Byrd has taken a very active interest in this proposal and feels strongly about the need for liberalization of the terms.

We have several problems with the disaster loan provisions contained in the bill passed by the Senate:

- o They are very costly, with total costs (including life of loan costs for loans made in FY77 and FY78) of over \$200 million. Two factors in particular add to the cost: (1) a loan forgiveness feature (up to \$3,000 for house and personal loans) accounts for about \$50 million of the added cost and (2) a retroactive provision (to 7/1/75 for SBA and 7/1/76 for FmHa) accounts for about \$165 million (and includes both forgiveness and interest costs). ← NO
- o In addition to being costly, past experience with forgiveness provisions has demonstrated that they are difficult to administer and involve a high incidence of fraud.
- o The depth of interest subsidy (with rates charged of 1.5%, on average, for home and personal loans and 3% for business loans) is quite substantial and, in our view, excessive.
- o The choice of retroactive dates arbitrarily discriminates among past program beneficiaries. ← NO

- o Providing for the certification of need by State Governors invites expanded loan demand and certain conflict between Governors and the SBA Administrator in the approval of disaster loans.
- o On the basis of past experience, allowing economic injury loans to be made without a physical disaster declaration will invite abuse of the program because of increased loan demand and the difficulty of determining the extent of economic injury.

Options

Given the strong Congressional interest in changing the program and the personal involvement of Senator Byrd, it appears that leaving the SBA disaster loan program in its present form may not be a viable option.

A literal interpretation of the current SBA authorization seems to provide the Administrator with the authority to lower the rate of interest charged, as long as it does not go above 6 5/8%. However, the Administrator indicates there is nothing in the legislative history of the Act to indicate that Congress intended that he exercise such authority and he is therefore reluctant to do so. To date, the program has been administered as if the authority fixed the interest rate at 6 5/8%. If such authority is to be exercised administratively, we think it would be desirable to have an indication from Congress that it intended to grant such authority.

The remaining options and their additional budget costs for loans originated in FY76, the transition quarter, and FY77 are as follows:

<u>OPTIONS</u>	<u>SBA</u> <u>Program</u>	<u>FmHA</u> <u>Program</u>	<u>TOTAL</u>
	(dollars in millions)		
1) H.R. 692	159.0	49.2	208.2
2) H.R. 692 (without forgiveness)	113.6	49.2	162.8
3) H.R. 692 (no forgiveness nor retroactive features)1	27.6	29.1	56.7

OPTIONS (continued)	SBA	FmHA	TOTAL
	Program	Program	(dollars in millions)
4) Home 3%, business 3% (no forgiveness nor retro-activity) ¹	23.2	29.1	52.3
5) Home 3%, business 5% (no forgiveness nor retro-activity) ¹	16.9		16.9
6) Home 5%, business 5% (no forgiveness nor retro-activity) ¹	10.7		10.7

¹Program level of \$100 million for SBA and \$325 million for FmHA is assumed. Though difficult to predict, the annual level for SBA will probably be higher than this in future years. SBA loan activity has ranged from \$1.5 billion in FY 1973 (Hurricane Agnes) to less than \$150 million in both FY 1975 and FY 1976.

Not all of the costs shown above would occur this fiscal year. In the case of H.R. 692, about \$90 million would accrue the first year with the remaining interest cost spread over the remaining life of the loans (an average of 10 years, 10 months for SBA and 7 years for FmHA). For those options with no forgiveness nor retroactive features, the cost is entirely interest and would be spread across the several years. Depending on the level of loan activity in the future, which is not independent of the conditions of the loan, additional costs will, of course, be encountered with each new year.

Decisions are required on the following features of the disaster loan program:

- (1) Loan forgiveness. As noted above, this is a costly feature that is difficult to administer and invites abuse. We recommend that you oppose its inclusion in the enacted bill. (Watson concurs)

DECISION

_____ ✓ Oppose
_____ Support

- (2) Retroactive. The principal considerations in making the benefits retroactive are (a) the additional budget costs and (b) the difficulty of selecting an acceptable effective date. We recommend that you oppose making the benefits retroactive beyond April 1, 1977 (the effective date in the original bill). (Watson concurs)

DECISION

✓ Oppose
 Support

JC

- (3) Interest rate for personal and home loans. There are several choices here ranging from the variable 1% to 3% provided in H.R. 692 (as passed by the Senate) to leaving the rate at its current level of 6 5/8%. Given the mood of the Congress, the magnitude of need in Appalachia following the recent floods there, the relatively modest budget cost, and the substantial administrative burden associated with a variable interest rate, we recommend lowering the rate to 3%. SBA concurs in this recommendation.

DECISION

 6 5/8% (current rate)

 5%

✓ 3% (recommended by OMB, SBA, and Domestic Policy Staff)

 variable 1% to 3% (H.R. 692) (Watson)

JC

- (4) Interest rate for business loans. H.R. 692 would lower the SBA rate from 6 5/8% to 3% and the FmHA emergency loan rate from 5% to 3%. The latter rate is lowered to keep the programs consistent. In your proposal to the Congress regarding drought assistance, which is still pending, you recommended lowering the SBA interest rate to 5%. OMB and SBA recommend that you lower the rate for both SBA and FmHA to 3%, largely for reasons of administrative convenience. The Domestic Policy Staff recommends that you lower the SBA rate to 5% and leave the FmHA rate at its current 5%. Beyond the budget savings, in comparison with the 3% option, they believe individuals merit a deeper subsidy than do profit making businesses.

DECISION

 6 5/8% SBA: 5% FmHA (current rates)
✓ 5% SBA: 5% FmHA (Domestic Policy Staff) *JC*
 3% SBA; 3% FmHA (H.R. 692, OMB, SBA) (Watson)

- (5) Governor Certification of need. Although this authority does not require that loans be made as a result of Governor certification, it would clearly establish a demand for such loans. More importantly, this provision undermines Executive Branch discretion by separating the determination of eligibility from the responsibility for program execution. We recommend that you oppose this feature.

DECISION

✓ Oppose
 Support *JC*

- (6) SBA loan line item authorizations. Due to the significant increase in outlays, OMB does not agree with SBA that higher authorization levels for SBA loan programs are desirable and recommends that your FY 1978 budget request be supported when SBA appears before House Select Committee on Small Business next week.

DECISION

✓ Agree *with OMB*
 Disagree *J*

THE WHITE HOUSE
WASHINGTON

July 11, 1977

Jim Fallows -

The attached was returned in
the President's outbox. It is
forwarded to you for appropriate
handling.

Rick Hutcheson

cc: Jody Powell
Z. Brzezinski

Re: Southern Legislative Conference
Speech

Electrostatic Copy Made
for Preservation Purposes

THE PRESIDENT HAS SEEN.

THE WHITE HOUSE

WASHINGTON

July 8, 1977

MEMORANDUM TO THE PRESIDENT

FROM: JIM FALLOWS *Jim*

SUBJECT: July 21 Speech

Jim
I'd like to
review foreign
policy - include
Panama Canal - emphasis
Sis on E-W
J

On July 21, you are scheduled to address the Southern Legislative Conference. We'd like to suggest these themes for your speech. We will be happy to start work on a draft if you let us know what you would like to talk about.

1. THE SOUTH. This is the chance to give a very personal and philosophical speech about the way your southern background has shaped your decisions as president. Although it should be delivered frankly as one southerner speaking to his fellow southerners, it would be of interest to the rest of the country as well -- just as Kennedy spoke to the Massachusetts Legislature and to Catholic audiences about the things that gave him a special identity. Although your own southernness was controversial as recently as six months ago, it is seldom discussed any more -- an indication of the degree to which the south has not only accepted the mainstream of American society, but been accepted by it. Nevertheless, southerners -- you and your audience -- are shaped by special traditions, experience, guilt, and wisdom, which yield lessons that are particularly timely for the country now. Inevitably, you have brought this perspective to much of what you have done or will do as president -- from poverty to urban/rural problems to medical care to voting rights to Southern Africa -- and it would be interesting for you to reflect upon it for this audience.

If you choose this one, it would help us a great deal to spend a few minutes with you discussing your views.

2. GOVERNMENT REORGANIZATION. Members of the Reorganization Project feel this is a good time for you to lay out the philosophy and details of your reorganization plan, moving public awareness and discussion of it a step farther along. It is a subject that this audience would certainly be interested in.

3. FEDERALISM. This is an appropriate audience for you to discuss your view of state-federal relations -- especially the details of many federal programs that are of direct interest to state legislators (e.g., energy, welfare, health care, revenue sharing). You could also discuss the way your own background in state and local government shaped your

awareness of the individual human impact of government programs and led to your determination to come to grips with the functional problems of government at all levels.

4. RACIAL RELATIONS. At some point in your time as president, I hope you will give a thoughtful and reflective speech on the subject of race. Like the South, this is a topic you can discuss with personal feeling; like the South, it is a subject on which your views would carry special weight. If you decide to do something like Topic 1, above, for the Southern Legislators, then this topic might make a good companion speech for the Urban League later in the month.

THE WHITE HOUSE
WASHINGTON

July 11, 1977

The Vice President
Frank Moore

The attached was returned in the
President's outbox and is forwarded
to you for your information and
appropriate action.

Rick Hutcheson

Re: Weekly Legislative Report

Plum - of Division

THE PRESIDENT HAS SEEN.

THE WHITE HOUSE

WASHINGTON

cc VP
cc Frank,
C

ADMINISTRATIVELY CONFIDENTIAL

July 9, 1977

MEMORANDUM FOR:

THE PRESIDENT

FROM:

FRANK MOORE

SUBJECT:

Weekly Legislative Report

1. ENERGY

House: Members of Dr. Schlesinger's staff had extensive meetings with Chairman Ashley, his staff, and staff of the Speaker last week to discuss strategy as the Ad Hoc Committee begins its work. The Ad Hoc Committee will have an organizational meeting next Thursday. On Friday, the Committee will discuss procedures and rules as it assembles the bill for floor action. Probably Tuesday, July 19, would be a good opportunity to invite the Ad Hoc Committee to the White House for a morning meeting. *ok*

-- Next Tuesday, the Interstate & Foreign Commerce Committee will continue final markup of its portions of the National Energy Act. The Committee has been given a two-day extension to complete action before the bill is sent to the Ad Hoc Committee. A Sharp (D-Ind) amendment requiring a study of energy efficiency standards will be the pending order of business. Further votes on natural gas deregulation are also expected.

-- The Ways & Means Committee will report a clean bill on Wednesday and send it to the Ad Hoc Committee.

-- All other portions of the N.E.A. will be before the Ad Hoc Committee by Wednesday.

Senate: Jackson's Energy & Natural Resources Committee will begin markup of its portion of the plan on Wednesday. The pending order of business will be the coal conversion provisions.

-- The Senate Housing Subcommittee is scheduled to begin markup on Thursday on the home insulation proposals. Under the procedure worked out in the Senate, after the Senate Banking Committee completes its work it will report the bill to the Energy & Natural Resources Committee.

-- The Finance Committee probably will not mark up the tax provisions of the plan until the House completes action.

ADMINISTRATIVELY CONFIDENTIAL

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2. APPROPRIATIONS

Foreign Operations: The Inouye Subcommittee on Foreign Operations is expected to begin marking up the FY 1978 foreign assistance appropriations bill late next week. As you know, our overriding concerns are with the various prohibitions which the House tacked onto IFI aid and with the funding cuts which were made in the overall request during committee and floor action on the bill. The aim of the strategy is to gain back the ground we lost in the bill passed by the House. However, earlier votes this year on Senate amendments to the aid authorization bills -- particularly the IFI authorization -- indicate that there is substantial Senate support for restrictions on IFI aid. Even if we succeed in convincing the Subcommittee to resist such prohibitions, we will face great difficulty in the full Committee and on the floor. We anticipate floor action as early as July 18.

-- You have recieved the July 7 Vance-Blumenthal memo itemizing presidential phone calls. We will have additional information on other calls for you on Monday. We believe the Inouye call should be made as soon as possible.

Public Works/ERDA: The CRBR and Barnwell issues will have been decided by the time the Senate resumes consideration of this bill next week. Thus, the major remaining debate will be on the neutron bomb. Congressional liaison staff has been working with NSC staff in an attempt to better define an Administration position on this issue in the context of language being considered on the floor.

HUD/Independent Agencies (Conference): Conferees are scheduled to begin work early next week. OMB reports that the Senate passed a floor amendment allowing HUD to use \$4 BILLION of recaptured funds for new mortgage purchase commitments. If this authority is included in the final bill, and is subsequently released, OMB believes it could have a significant impact on outlays -- particularly in 1981. OMB states that although the budget did not request use of this \$4 BILLION, some question has been raised as to whether HUD really supports the budget policy. HUD reports that among the major issues requiring resolution in conference is the Senate's action in cutting by 10% the budget request for 400,000 units of assisted housing.

Defense: While the Senate may begin consideration of this bill next Friday, it probably will not complete action. Defense reports that the budget amendment and rescission on the B-1 and Cruise Missile should go to the Congress next Monday or Tuesday, but it is not clear at this time just how the budget amendment will be handled in relation to Senate action on the appropriations bill.

3. ERDA AUTHORIZATION

Clinch River Breeder Reactor: The vote will be very close -- too close to call at this time -- between the Administration's \$33 million position (Bumpers amendment) and the \$75 million option (Church-Jackson amendment).

-- The Energy Committee bill provides for a \$150 million authorization; this amount was initially favored by Senator Church (the Chairman of the Energy Research and Development Subcommittee) and was thus incorporated into the original working

- 3 -

papers the Committee staff presented to the Senators. Because neither the Bumpers amendment nor the Church-Jackson amendment got enough votes to prevail in Committee (both failed by identical 9 to 9 votes), the \$150 million figure emerged. A minority of the Committee and a minority of the Senate favor the \$150 million authorization but if the Bumpers and Church-Jackson amendments are defeated on the Senate floor, it will remain in the bill.

-- Factors which we have had to overcome are: the opposition of Senator Jackson (the Committee Chairman) who has great influence in energy matters; the opposition of Senator Church who, as the ranking Democrat on the Foreign Relations Committee, has enough credibility to argue against our non-proliferation policy (this has hurt us immeasurably in both the Clinch River and Barnwell fights); the active opposition of Minority Leader Howard Baker who is arm-twisting Republicans and Senator Jim Sasser who is seeking "sympathy" votes from Democrats; and finally, the confusion which exists throughout the Senate on this Administration's nuclear power policy generally and on the long-term economic and international implications of the Clinch River and Barnwell decision.

-- Attached at the end of this report is our latest vote count on CRBR. We can win but Presidential and Vice Presidential calls will be necessary to some undecided or leaning against us. We suggest the following for the President: Robert Byrd (to ask for his active help), Humphrey (pro-nuclear voting record but gettable, will carry Anderson with him), Sarbanes (voted right as a member of the House, but now undecided), Muskie (if he votes against us, he could take Hathaway with him), Williams (has voted right in the past but is getting home state pressure from GE), Burdick (very responsive to Presidential requests), Stevenson (his support is tenuous), Randolph. We suggest the following calls for the Vice President: Huddleston, Brooke, Hathaway, Inouye and Moynihan. *VP call - 9/11 keep as he asks me*

Barnwell: Again, we face opposition from the Committee Chairman (Jackson) and the Subcommittee Chairman (Church) who sponsored the amendment in Committee to provide \$14 million in federal funds for Barnwell. Our position (the Kennedy amendment) favors deleting all but \$1 million for a governmental study to determine alternative uses for the facility. Senator Hollings is working the Senate Democrats very hard and Senator Thurmond is making deals with the Republicans. We are confronting problems arising from equity arguments (over the years the private companies have sunk \$250 million into Barnwell at the repeated invitation of the federal government, which is now trying to back out of its commitment), doubts about the validity of our nonproliferation policy, and the relatively small amount of money involved.

-- As in the case of CRBR, the vote will be close. State Department, OMB, Energy Policy, and Domestic Policy staff are discussing the possibility of modifying the Kennedy amendment to meet the political needs of Hollings without damaging our non-proliferation policy. Such a modification, if acceptable to Hollings, Church, and Jackson, would avoid a close vote (which we would lose) and allow us to concentrate all of our efforts on the CRBR fight.

4. REORGANIZATION

-- In anticipation of sending the Executive Office reorganization proposal to the Congress by July 15, OMB intends to schedule White House briefings next week for the House and Senate Government Operations Committees Members. These presentations will include discussions of your decisions on most aspects of the Executive Office reorganization.

-- A special meeting on the CEQ part of the EOP plan is scheduled for Tuesday in order for the reorganization staff to discuss this sensitive issue with about 20 Members of Congress. By letter and through conversations with congressional liaison staff, Rep. Dingell finds any proposal to downgrade CEQ quite offensive (as House author of the National Environmental Policy Act, he was a major force in establishing CEQ). Dingell points out that the purpose of legislation establishing the CEQ was to strengthen an environmental voice for all Presidents with a view towards those who may not be as sensitive to environmental issues as you. He still intends, however, to work in support of the energy plan, even though he believes that extensive legislative action on this reorganization issue might tend to focus attention away from congressional consideration of the energy plan.

5. OUTER CONTINENTAL SHELF

-- The Outer Continental Shelf Lands Act Amendments (S 9) will be considered by the Senate next week (probably Tuesday). Most of the differences on the bill have been resolved. Senator Johnston has agreed to abandon most of his efforts to revise the funding formulas and Commerce officials are now negotiating compromises with the Senator's staff on other, less important issues.

-- The Administration supports floor amendments to authorize use of bidding systems other than the cash bonus system that is now used exclusively and to authorize issuance of separate leases for exploration and development instead of the combination leases that are now required.

-- The Administration opposes an amendment that restricts the application of NEPA or federal safety regulations to existing leases. We also oppose an amendment compensating fishermen for damage allegedly done to their gear by OCS exploration and development.

6. FARM BILL

-- The House has scheduled general debate only on the bill for next Friday and will consider amendments Tuesday, July 19, and hopes to complete consideration by July 20 or 21. The bill will be amended on the floor to include the food stamp provisions reported as a separate bill by the House Agriculture Committee. OMB reports the Administration's bill differs significantly from the House bill, but in many instances the House version is less costly and more workable than the Senate version which has already passed. Last Friday, OMB and domestic policy staff met with senior officials of the Agriculture Department to discuss which policy issues inherent in the House bill should be raised with you.

-- A major concern in dealing with this bill is keeping Chairman Foley and Rep. Poage with us, since they both worked hard to lessen the adverse budgetary impact of the House subcommittee bill during full Committee mark-up.

-- In addition, Agriculture is particularly concerned about an expected Republican floor amendment to weaken the Administration's program of sugar support payments. Agriculture believes these efforts, (led by Dole in the Senate and Reps. Michel and Findley in the House), if successful, could give new vigor to efforts to overturn your decision not to implement the sugar recommendations of the ITC and could threaten a new round of protectionist developments in Congress.

-- Other floor amendments are expected including efforts to increase wheat price supports (English, D-Okla), to cash out food stamps for the elderly (Jeffords R-Vt), to put an expenditure ceiling on food stamps (Mathis, D-Ga), and to require food stamp registrants to perform local public service jobs to work off the cost of the food stamp benefits (Findley, R-Ill). HEW reports that the bill also contains provisions which affect human nutrition research performed by HEW. HEW intends to oppose these provisions and support amendments by Paul Rogers (D-Fla) to clarify noninterference by USDA in HEW nutrition research.

7. CLEAN AIR CONFERENCE

-- It is still uncertain when the conference on the bill will begin even though both the Senate and House have named their conferees. EPA reports that Senator Muskie has expressed concern that the Senate conferees may not be able to meet on the bill until after the August recess because of their commitment to work on the water pollution amendments. UAW believes there is a strong possibility of auto industry layoffs in August if there is not a conference agreement prior to the recess, and is pushing for early action in conference.

8. THE MCKINNEY NOMINATION

-- We are mounting an effort for the July 15 and 18 hearings on Robert McKinney's nomination for Chairman of the Home Loan Bank Board. At this time, 9 of the 15 committee members are likely to support the nomination, unless the hearings are disastrous. Chairman Proxmire is openly hostile, and we count Riegle and Sarbanes as skeptical. Brooke, Heinz, and Sparkman are question marks.

-- The issues will be red-lining, conflict of interest and insider loans by the McKinney bank. Rep. Rosenthal, probably at Proxmire's urging, has opened a companion investigation dealing directly with insider loans and other aspects of McKinney's financial background.

-- The Rosenthal investigation must be viewed as a major threat. He will have negative information for the record in the Senate hearings, and may even testify himself if the facts warrant it. Rosenthal could request the hearings be postponed to give his investigation time to develop. We are working on several fronts to avoid troubles here.

-- Congressional liaison and domestic policy staff are working closely with Bob McKinney, and he seems to be pleased with our efforts.

FLOOR ACTIVITIES FOR WEEK OF JULY 11

House

Monday -- 2 suspensions (2/3 vote, no amendments) as follows:

- 1) H.J.Res. 24, National Lupus Week. To be managed by Rep. Bill Lehman (D-Fla), Chairman, Post Office Census and Population Subcommittee.

Bill Summary: The resolution designates the week of September 18, 1977, as National Lupus Week (lupus erythematosus is a chronic, often fatal disease of connective tissue between the vital organs).

- 2) H.R. 2960, Signers of Declaration of Independence Memorial. To be managed by Rep. Lucien Nedzi, Chairman, Libraries & Memorials Subcommittee (House Administration).

Bill Summary: The bill authorizes the Interior Secretary to establish a memorial in honor of the signers of the Declaration of Independence, in Constitution Gardens in D.C. The memorial would be financed by funds raised from the sale of Bicentennial medals, not to exceed \$500,000. According to OMB, the Administration would have no objection to the enactment of this legislation provided it is amended to reflect the dissolution of the American Revolution Bicentennial Commission on June 30, 1977.

- H.R. 5023, Indian Claims, Statute of Limitations. To be managed by Rep. George Danielson (D-Cal) Chairman, Administrative Law and Governmental Relations Subcommittee (Judiciary). Before the July 4 break, the House and Senate passed a resolution extending the statute of limitation on Indian claims until August 18, 1977, to prevent it from expiring before Congress has an opportunity to act on this bill. Reps. Cohen (R-Maine) and Foley (D-Wash) are expected to offer amendments to extend the statute of limitations for two years only. (The bill provides a 4½ year extension.)

Tuesday -- 8 suspensions as follows:

- 1) H.R. 6827, Safe Drinking Water Act Amendments. To be managed by Rep. Paul Rogers, Chairman, Health & Environment Subcommittee (Interstate and Foreign Commerce).

Bill Summary: The bill authorizes \$71 million for FY 1978 and \$81 million for FY 1979 for EPA programs under the Safe Drinking Water Act. According to OMB, the Administration supports enactment of the bill with the exception of: 1) budget increase for demonstration of water supply technology (\$20 million over R&D request); and, 2) establishment of an environmental disaster fund for Water Supply (new program authorized at \$8 million). OMB also expresses concern about the congressional trend of requiring federal agencies to meet procedural requirements (i.e. requesting state permits and meeting state recordkeeping requirements) as well as the substantive state requirements.

- 2) H.R. 7678, American Battle Monuments Commission Members. To be managed by Rep. Carney (D-Ohio), Chairman, Cemeteries & Burial Benefits Subcommittee (Veterans Affairs).

Bill Summary: The bill provides that any retired member of the armed forces recalled to active duty and detailed full-time to the Commission shall not count against the active duty strength authorizations of the administrative ceilings of DOD or the military departments concerned. According to OMB, the Administration supports the bill but believes it should be changed to stipulate that the salaries military members detailed to the Commission should be funded directly from Commission appropriations rather than from Defense appropriations.

- 3) H.R. 7658, Housing for Certain Disabled Veterans. To be managed by Rep. Jack Brinkley, Chairman, Housing Subcommittee (Veterans Affairs).

Bill Summary: The bill extends eligibility for specially adapted housing grants to veterans who have lost, or lost use of, one upper and one lower extremity, and thus cannot move without braces, crutches, canes, or a wheelchair. According to OMB, the bill would allow liberal benefits (50% of the cost of housing, up to \$25,000) to go to veterans using braces or a cane, who have little need for the special fixtures or facilities contemplated by the basic law. Thus, OMB would prefer to limit entitlement to those veterans using crutches or a wheelchair.

- 4) H.R. 7345, Veterans' and Survivors' Pension Adjustment Act. To be managed by Rep. Sonny Montgomery, Chairman, Pension & Insurance Subcommittee (Veterans' Affairs).

Bill Summary: The bill provides a 7% cost-of-living increase for veterans' and survivors' non-service-connected pensions and for parents' dependency and indemnity income limitations, effective January 1, 1978. It also increases income limitations to insure that no veterans or other beneficiary will lose a pension solely because of the 5.9% social security increase effective July 1, 1977. In addition, it increase pensions 25% for World War I widows at age 78. According to OMB, the Administration would favor enactment of the bill if it were changed to provide cost-of-living increases which are consistent with current consumer price index projections, and if the provision increasing the pension of widows is deleted (with these changes, the bill would be identical to the Administration's pension increase proposal).

- 5) H.R. 186, International Navigation Rules. To be managed by Rep. John Murphy (D-NY), Chairman, Merchant Marine & Fisheries Committee.

Bill Summary: The bill implements the 1972 Convention on the International Regulations for Preventing Collisions at Sea and also provides that any amendment to the regulations would be subject to disapproval by concurrent resolution of both Houses. According to OMB, the Administration supports the purpose of the bill, but is strongly opposed to the disapproval procedure on constitutional grounds.

- 6) H.R. 7462, Limit Federal-Aid Highway Act Obligations. To be managed by Rep. Jim Howard (D-NJ), Chairman, Surface Transportation Subcommittee (Public Works & Transportation).

Bill Summary: The bill establishes a FY 1978 ceiling on obligations for Federal Aid Highway projects of \$7.4 BILLION, and prohibits the Transportation Secretary from controlling the obligation rate by allocating ceilings among the states or by setting priorities among projects. The purpose of the bill is to set the obligation ceiling through authorizing legislation so that the Public Works Committee can consider changes in the ceiling from year to year. According to OMB, the Administration opposes the bill as

unnecessary and undesirable because it would unduly restrict the Secretary of Transportation's flexibility to administer Federal-Aid Highway funds in a manner which is equitable to all states.

- 7) H.R. 7738, Trading with the Enemy Reform Act. To be managed by Rep. Bingham, Chairman, International Economic Policy & Trade (International Relations).

Bill Summary: The bill redefines the President's power to regulate international economic transactions in wars or national emergencies, by separating war and non-war authorities. It preserves the President's existing wartime authorities but subjects his national emergency powers to congressional review. According to OMB, several sections of the bill are consistent with provisions supported by the Administration. However, on constitutional grounds, the Administration strongly opposes the provisions which permit Congress, by concurrent resolution, to nullify regulations issued by the President and to terminate national emergencies declared by the President. OMB also points out that the bill fails to include a provision making the Export Administration Act permanent legislation, as urged by the Administration to assure continuation of the government's export control program.

- 8) H.R. 7792, Franked Mail Act. To be managed by Rep. Udall, Chairman, Task Force on Use of the Frank (Select Ethics Committee).

Bill Summary: The bill incorporates into permanent law the limitations on use of the congressional frank adopted by the House last March as part of its new ethics code.

- H.R. 2963, Maritime Authorization. To be managed by Rep. John Murphy, Chairman, Merchant Marine & Fisheries Committee.

Bill Summary: The bill authorizes \$553.6 million for several maritime programs for FY 1978. According to OMB, the Administration does not oppose the authorization levels in the bill, but believes the increase in student allowances at the Maritime Academy from \$600 to \$1200 is unwise. Numerous amendments are expected including the following by Rep. McCloskey (R-Cal): 1) to prohibit operating subsidies to any shipping company unless it fully cooperates with the Federal Maritime Commission in its investigation of illegal rebates; 2) to require that no subsidies be paid for shipboard wages which are higher than the average shipboard wages among those Western European industrialized countries with standards of living similar to the U.S.; 3) to require that any ships which receive operating or construction subsidies must be committed to the Sealift Readiness program in a national emergency; 4) to reduce the construction subsidy for a ship by 5% unless the Secretary of Commerce determines that the ship is part of an existing or future vessel construction series; 5) to eliminate the proposed \$126 million construction subsidy for three liquefied natural gas vessels; 6) to eliminate a proposed \$19.3 million subsidy for carrying grain to the Soviet Union in U.S. ships; 7) to limit new operating subsidy contracts to one year instead of the current 20 years, while a new maritime policy is being formulated.

Wednesday -- H.R. 2777, National Consumer Cooperative Bank Act. To be managed by Rep. St Germain, Chairman, Financial Institutions Supervision, Regulation & Insurance Subcommittee (Banking & Urban Affairs).

Bill Summary: The bill establishes a National Consumer Cooperative Bank to make loans at market interest rates to consumer cooperatives. The bill also establishes an Office of Consumer Cooperatives in ACTION to provide technical assistance and to help finance new co-ops, especially in inner-city areas. According to OMB, the bill would allow the bank \$500 million of federal equity funding over 5 years and up to \$5 BILLION of federal purchase of bank notes. Treasury will be working in support of a substitute bill in the form of an amendment offered by Reps. Ashley and LaFalce (D-NY) which would establish a two-year, demonstration project to test the need for such a bank. Secretary Blumenthal's talk with Chairman Reuss resulted in an agreement by Reuss not to link the IFI authorization bill with St Germain's position on this bill.

-- H.R. 3816, Federal Trade Commission Act Amendments. To be managed by Rep. Eckardt, Chairman, Consumer Protection & Finance Subcommittee (Interstate & Foreign Commerce).

Bill Summary: The bill authorizes \$63 million for FY 1978 and \$70 million for FY 1979 for operations of the FTC and makes several changes in the Commission's functions and procedures. According to OMB, the Administration favors the bill but opposes those provisions which would: 1) restrict Executive Office of the President involvement in personnel selection, 2) require that budgetary and legislative requests or recommendations submitted to the President and OMB by the FTC be simultaneously transmitted to the Congress, and 3) authorize appropriations in excess of the budget request. Amendments are expected, including one by Rep. Levitas to provide for a congressional veto of FTC regulations.

Thursday -- H.Res. 658, Establishing a Select Intelligence Committee. To be managed either by Rep. Bolling or Rep. Gillis Long, members of the Rules Committee. Due to time constraints, the House did not act on this resolution the week of June 27.

-- H.R. 4287, Federal Mine Safety and Health Act of 1977. To be managed by Rep. Gaydos, Chairman, Compensation, Health & Safety Subcommittee (Education & Labor).

Bill Summary: The bill transfers the federal mine health and safety program from Interior to the Labor Department and extends the coal act coverage to noncoal mines. According to OMB, the Administration supports the bill, but also believes that further legislation is needed to strengthen the provisions of the bill. Labor Department expects the Committee leadership to head-off any major floor amendments.

Friday -- H.R. 7171, Agricultural Act of 1977. General debate only. To be managed by Chairman Foley.

-- The House may also consider the following conference reports during the week: Defense Authorization, NASA Authorization, Treasury/Postal Service Appropriations, Youth Employment, Interior Appropriations, State/Justice/Commerce Appropriations, and Transportation Appropriations.

Senate

- The Senate convenes at 1:00 PM on Monday and will devote two hours to the nomination of Robert Neutor to be Deputy Administrator of AID.
- The next order of business will be the ERDA Authorization bill which will raise the Clinch River and Barnwell issues.
- After disposition of the ERDA Authorization measure, the Senate will resume work on the Public Works Appropriations bill and the neutron bomb debate.
- Then the Senate will take up the Outer Continental Shelf bill and, if that legislation is disposed of, move on to the DOD Appropriations bill by week's end.

7/8 SENATE CRBR PRELIMINARY COUNT

<u>+</u>	<u>L+</u>	<u>?</u>	<u>L-</u>	<u>-</u>
Cranston	Sternis	Anderson	DeConcini	Baker
Hart	Biden	Moynihan	Hayakawa	Sasser
Haskell	Roth	Case	Lugar	Johnston
Bumpers	Culver	Melcher	Inouye	Weicker
Gravel	Ribicoff	Morgan	Talmadge	Domenici
Metcalf	Bayh	Sarbanes	Stone	Bartlett
Durkin	Clark	Muskie	Pell	Jackson
Abourezk	Hathaway	Heinz	Burdick	Church
Hatfield	Stevenson	Chafee	Hollings	McClure
Leahy	Packwood	Wallop	Randolph	Hansen
Proxmire	Schweiker	Chiles	Danforth	Laxalt
Nelson	Javits	Hatch		Pearson
Ford	Stafford	Williams		Dole
Matsunaga	Brooke	Huddleston		Num
Metzenbaum		Humphrey		Goldwater
McGovern		Bentsen		Stevens
Riegle				Sparkman
Byrd, R.				Allen
Glenn				Long
McClellan				Griffin
Percy				Eastland
Mathias				Curtis
Zorinsky				Cannon
McIntyre				Helms
Kennedy				Bellmon
Eagleton				Thurmond
				Tower
				Garn
				Byrd, H.
				Scott
				Magnuson
				Schmitt
				Young
26	14	16	11	33

THE WHITE HOUSE

WASHINGTON

July 11, 1977

Bert Lance
Stu Eizenstat
Jack Watson

Re: Proposed Fiscal Year 1977
Supplemental Appropriations for the
Legislative Branch and the Small
Business Administration & 1978
Budget Amendments for the Legislative
Branch.

The attached was returned in the President's
outbox and is forwarded to you for your
information and appropriate action.

The signed letter to the Speaker of the House
has been given to Bob Linder for appropriate
handling.

Rick Hutcheson

cc: Bob Linder



EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

THE PRESIDENT HAS SEEN.
July 6, 1977

Bert
J

SIGNATURE

MEMORANDUM FOR: THE PRESIDENT

FROM: Bert Lance

BL

SUBJECT: Proposed Fiscal Year 1977 Supplemental Appropriations for the Legislative Branch and the Small Business Administration and 1978 Budget Amendments for the Legislative Branch

Attached for your approval are the following:

- Requests for fiscal year 1977 supplemental appropriations totalling \$314 thousand and fiscal year 1978 budget amendments totalling \$2.6 million for the legislative branch. Requests from the legislative branch are required by law to be transmitted without change. These proposals will increase fiscal year 1977 outlays by \$314 thousand and fiscal year 1978 outlays by \$2.6 million.
 - A request for \$200 million for additional capital for the Small Business Administration's disaster loan fund. These funds would provide financial assistance to victims of the recent floods in West Virginia, Kentucky, Virginia, Louisiana, and Missouri, and other declared disasters. Financial assistance is provided in the form of loans for the rehabilitation of damaged or destroyed property. Given the current rate of applications, there are only enough funds presently available to cover the program through the third week of July, 1977. In addition to providing for sufficient funding to carry the program through the remainder of this fiscal year, this request provides for a contingency to cover disasters not yet declared and funds to accomplish the planned fiscal year 1978 program level. This proposal reflects the Agency's request of \$200 million. This proposal has been included in the Senate version of the fiscal year 1978 Departments of State, Justice, and Commerce, the Judiciary, and Related Agencies Appropriation Bill.
- This request also provides for the transfer of \$500 thousand from the fund to cover the administrative costs associated with processing the increased number of loan applications. This proposal will increase fiscal year 1977 outlays by \$45 million and fiscal year 1978 outlays by \$75 million.

*ok - but
our
emergency
loan/grant
criteria
are too
loose - check
with Berglund,
for instance*

Recommendation

That you sign the letters transmitting these proposals to the Congress.

Attachments

THE WHITE HOUSE

WASHINGTON

The Speaker of the

House of Representatives

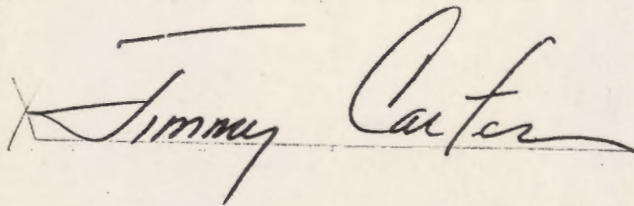
Sir:

I ask the Congress to consider proposed supplemental appropriations for fiscal year 1977 in the amount of \$314,300 for the legislative branch, and in the amount of \$200,000,000 for the Small Business Administration, and amendments to the request for appropriations for the fiscal year 1978 in the amount of \$2,586,000 for the legislative branch.

The details of these proposals are contained in the enclosed letters from the Financial Clerk of the U.S. Senate, the Director of the Congressional Budget Office, the Librarian of Congress, the Comptroller General of the United States, the Executive Secretary of the Cost Accounting Standards Board, the Acting Director of the Office of Technology Assessment, and the Director of the Office of Management and Budget. I concur with their comments and observations.

Respectfully,

Enclosures

A handwritten signature in dark ink, reading "Jimmy Carter". The signature is written in a cursive style with a horizontal line above the first name and a long, sweeping underline.

THE PRESIDENT HAS SEEN.

THE WHITE HOUSE

WASHINGTON

MEMORANDUM TO: THE PRESIDENT

FROM:

Jack Watson *Jack*
Jane Frank

July 8, 1977

RE:

Proposed Agenda for Cabinet Meeting on
July 11, 1977

1. Comments on weekend meeting with the Governors on the National Energy Plan.

2. Announce up-coming visits of German Chancellor Helmut Schmidt and Israeli Prime Minister Begin.

3. Invite Cabinet Members to attend presentation at 1:30 p.m. in the Rose Garden of the Presidential Medals of Freedom. The winners are the late Martin Luther King, Jr., and Jonas Salk. (Joe Califano and Griffin Bell received specific invitations on Friday--Joe is planning to attend, Griffin was uncertain.)

4. Comments from Cabinet Members.

CC: The Vice President

THE WHITE HOUSE
WASHINGTON

July 11, 1977

Bert Lance

For your information, the attached
was returned in the President's
outbox and forwarded to Bob Linder
for appropriate handling.

Rick Hutcheson

cc: Bob Linder

Re: Proposed Fiscal Year 1978 Budget
Amendment for the Veterans
Administration

*logged
7/7
5 paged*



THE PRESIDENT HAS SEEN. 8/11/77

EXECUTIVE OFFICE OF THE PRESIDENT

OFFICE OF MANAGEMENT AND BUDGET

WASHINGTON, D.C. 20503

July 7, 1977

SIGNATURE

MEMORANDUM FOR: The President

FROM: Bert Lance

BA -

SUBJECT: Proposed Fiscal Year 1978 Budget Amendment for the Veterans Administration

Attached for your signature is a request for a \$5 million fiscal year 1978 budget amendment for the Veterans Administration. This amendment will permit the Veterans Administration to increase the funds granted to States to construct facilities for furnishing care to veterans. The fiscal year 1978 Budget endorsed a legislative proposal to increase the authorized amount for grants to States from \$10 to \$15 million per year. This legislation has been passed with certain modifications by the Congress and currently is awaiting your signature for enactment. These funds have been added by Senator Proxmire to the Senate version of the fiscal year 1978 Department of Housing and Urban Development-Independent Agencies Appropriation Bill. The Senator has been told that a formal request by the Administration will be transmitted to the Congress. This budget amendment will confirm the Administration's approval of this increase. This proposal will not increase budget outlays over current estimates because this proposal was included, as an item for later transmittal to the Congress, in the fiscal year 1978 Budget.

Recommendation

That you sign the letter transmitting this proposal to the Congress.

Attachment

THE WHITE HOUSE

WASHINGTON

The President

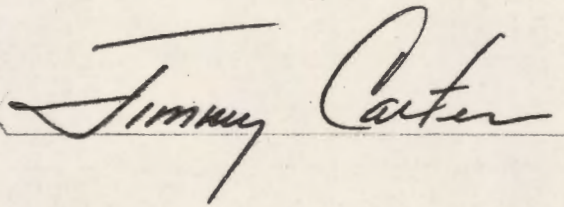
of the Senate

Sir:

I ask the Congress to consider an amendment to the request for appropriations for the fiscal year 1978 in the amount of \$5,000,000 for the Veterans Administration.

The details of this proposal are contained in the enclosed letter from the Director of the Office of Management and Budget. I concur with his comments and observations.

Respectfully,

X 

Enclosure

THE WHITE HOUSE

WASHINGTON

July 11, 1977

Bert Lance
Stu Eizenstat
Jack Watson

Re: Proposed Fiscal Year 1977
Supplemental Appropriations for the
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Rick Hutcheson

cc: Bob Linder

16



EXECUTIVE OFFICE OF THE PRESIDENT

OFFICE OF MANAGEMENT AND BUDGET

WASHINGTON, D.C. 20503

THE PRESIDENT HAS SEEN.

July 6, 1977

Bert J

SIGNATURE

MEMORANDUM FOR: THE PRESIDENT

FROM: Bert Lance

Bla-

SUBJECT: Proposed Fiscal Year 1977 Supplemental Appropriations for the Legislative Branch and the Small Business Administration and 1978 Budget Amendments for the Legislative Branch

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This request also provides for the transfer of \$500 thousand from the fund to cover the administrative costs associated with processing the increased number of loan applications. This proposal will increase fiscal year 1977 outlays by \$45 million and fiscal year 1978 outlays by \$75 million.

Recommendation

That you sign the letters transmitting these proposals to the Congress.

Attachments

Electrostatic Copy Made
for Preservation Purposes

*ok - but
an
emergency
loan/grant
criteria
are too
far - check
with England,
for instance*

THE WHITE HOUSE

WASHINGTON

The Speaker of the

House of Representatives

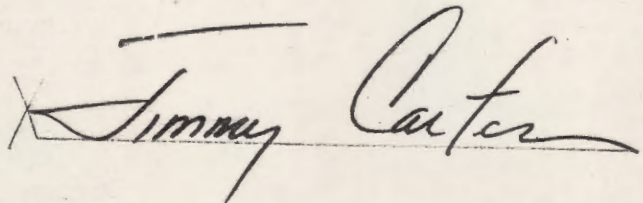
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The details of these proposals are contained in the enclosed letters from the Financial Clerk of the U.S. Senate, the Director of the Congressional Budget Office, the Librarian of Congress, the Comptroller General of the United States, the Executive Secretary of the Cost Accounting Standards Board, the Acting Director of the Office of Technology Assessment, and the Director of the Office of Management and Budget. I concur with their comments and observations.

Respectfully,

Enclosures

A handwritten signature in dark ink, reading "Jimmy Carter". The signature is written in a cursive style with a horizontal line above the first name and a horizontal line below the last name.



EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

THE PRESIDENT HAS SEEN.

MEETING WITH BERT LANCE, ET AL

Monday, July 11, 1977
2 p.m. (30 min.)
Cabinet Room

From: Bert Lance
Jim McIntyre
Harrison Wellford *HW*

I. PURPOSE

To obtain your decisions regarding the Executive Office of the President (EOP) study recommendations and the legislative strategy which should be pursued.

II. BACKGROUND, PARTICIPANTS, AND PRESS PLAN

A. Background: On Thursday, July 7, we discussed the EOP Study Team's findings, options and recommendations for the Executive Office of the President with you, the Executive Committee and the senior White House staff. Based upon that meeting, you indicated that you wanted to consult with your staff before reaching any final conclusions. This meeting has been scheduled to discuss these recommendations further, if needed, and to obtain your decisions regarding them.

B. Participants

Executive Committee

Vice President Mondale
Bert Lance
Alan Campbell
Charles Schultze
Dick Pettigrew

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for Preservation Purposes**

White House Staff

Hamilton Jordan
Stu Eizenstat
Frank Moore
Jody Powell
Jack Watson
Robert Lipshutz

Reorganization Project

Jim McIntyre
Harrison Wellford
A. D. Frazier

C. Press Plan: White House photographer

III. TALKING POINTS

See "Background" section

~~CONFIDENTIAL~~

THE WHITE HOUSE
WASHINGTON

July 11, 1977

Secretary Blumenthal -

The attached was returned in
the President's outbox. It is
forwarded to you for your
information.

Rick Hutcheson

Re: Cargo Preference -
State & NSC Views

cc Jack Watson

"DETERMINED TO BE AN ADMINISTRATIVE MARKING
CANCELLED PER E.O. 12356, SEC. 1.3 AND
ARCHIVIST'S MEMO OF MARCH 16, 1983"



THE PRESIDENT HAS SEEN.

THE SECRETARY OF THE TREASURY
WASHINGTON 20220

July 8, 1977

*Any fault
mine
J.C.*

MEMORANDUM FOR THE PRESIDENT

FROM: W. MICHAEL BLUMENTHAL, CHAIRMAN
ECONOMIC POLICY GROUP *done*

SUBJECT: STATE AND NSC VIEWS ON CARGO PREFERENCE

The Domestic Council has asked that I relate to you how State and NSC views on cargo preference were developed in the EPG and forwarded to you.

1. On June 17, I sent you the EPG decision memo, with appendix, on cargo preference (attached). This document fully reflected the views of NSC and State and also of other interested agencies in the Executive Branch. State and NSC participated in two EPG discussions on this subject, and received copies for comment of the several drafts of the EPG report to you. State in particular participated actively in developing the options in the EPG report, and the NSC provided views on the various options. At two points State submitted lengthy written comments on the subject which were integrated into the EPG report.

2. The detailed presentation of the three EPG options, in which State and NSC participated, were detached by Rick Hutcheson, and were never forwarded to you in the final package; you only received the summary of the EPG options, although this did reflect in brief form all of the specific arguments made by State and NSC.

3. I understand that the Vice President, Stu Eizenstat, and Bob Strauss submitted separate memos with revised options on which you based your decision. Neither NSC, State, Charlie Schultze, nor I participated in that process; nor did we know that these additional papers were going to you. To the best of my knowledge, the revised options were not presented for comment to any of the interested EPG agencies.

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This is a good illustration of the imperfections in the present decision making process, and in the paper flow to your office, on economic matters. Frequently, the EPG decision memo, which reflects the views of all interested agencies, is submerged under memos by others, and supplemented by other decision memos, which are not fully staffed out.

There is clearly an important need to clarify how EPG decision memos, representing various agency views, are to reach you, and to ensure that the paper circulation, with comments and alternative suggestions to you, is regularized.

Stu, Charlie, Bert, and I have discussed this problem at length, and I think we are in agreement on what changes to recommend to you. I hope that, in the context of EOP reorganization, we can clarify procedures and jurisdictions so that we will avoid similar problems in the future.

Attachment: EPG Report on Oil Cargo Preference, as submitted to the White House.



June 17, 1977

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MEMORANDUM FOR THE PRESIDENT

FROM: W. MICHAEL BLUMENTHAL
CHAIRMAN, ECONOMIC POLICY GROUP

SUBJECT: OIL CARGO PREFERENCE

WMB

In March the EPG unanimously recommended that you oppose oil cargo preference legislation, and suggested we might explore alternative ways of assisting the maritime industry. You then directed Commerce and White House staff to consult further on the Hill and with industry groups.

These consultations indicate that while the maritime interests would support a modified version of the cargo preference bill (H.R. 1037), they consider alternative forms of assistance inadequate and would strongly oppose them as a substitute for cargo preference.

During the campaign you made several statements about the need for a viable U.S. maritime industry, which maritime interests understand as commitments to support cargo preference. It appears that your campaign commitment was to increase the number of seagoing jobs and not to assist the shipbuilding industry.

The House Subcommittee on Merchant Marine is pressing the Administration for a decision. There is also an intensive lobbying effort underway on behalf of cargo preference by a coalition of shipbuilders, ship operators and marine supportive industries.

The EPG has reviewed this issue again and presents three alternative proposals.

OPTION 1: Support a modified form of cargo preference, with a reduced preference percentage, a stretched out implementation timetable, and provision for limited foreign-built tanker participation. (Commerce and Labor support.)

Pro: This is acceptable to maritime interests. Impact on national security cuts both ways: Commerce believes U.S.-flag ships would be more reliable in emergencies; State and DOD do not see that as a benefit since foreign ports

might be closed to U.S.-flag ships. It would create 2100 to 4600 new seagoing jobs, a possible 13,500 transitional shipyard jobs after 1980, plus some near-term shipyard business for reconstruction of foreign-built tankers. The U.S. balance of payments could improve by \$95-\$150 million. Might improve tanker safety and pollution avoidance. Age limit would prevent use of obsolescent tankers in preference trade.

Con: Annual cost through higher oil prices is estimated at \$233-\$884 million depending on level of oil imports in 1985 and final form of the wellhead tax. If the wellhead tax exempts cargo preference oil, the annual cost per job created ranges from \$23,000 to \$111,000. CEA estimates the net impact on the economy as a whole would be a decrease in total employment and GNP. Would be contrary to London Summit pledge to reject protectionism, would reverse U.S. policy favoring free competition, could trigger emulation by others, and would violate U.S. treaties with more than 30 countries.

OPTION 2: Expanded use of operating subsidies. (Supported by State, CEA, NSC, DOD, DOT and the Special Assistant to the President for Energy; OMB supports without a cap on the subsidy. Treasury and FEA support option 2 or 3.)

Pro: By relaxing restrictions on eligibility for operating subsidies, and increasing operation subsidies from the current level of \$400 million per year to \$500 million per year, 5,000 additional seagoing jobs could be created at an annual cost per job of \$20,000. Would not increase the cost of oil and, therefore, would not have the inflationary impact of cargo preference. Would not have the adverse foreign policy repercussions of cargo preference.

Con: Is strongly opposed by maritime interests as an alternative to cargo preference. They argue that independent operators will not be attracted and that the major oil companies with their company unions will be the primary beneficiaries. Shipbuilders oppose since no new ship construction would be generated. Further consultation and staffing are needed if you choose this approach since it would mean basic changes in long standing subsidy programs, including a budgetary ceiling for the first time. A recent OMB attempt to cap existing subsidies was strongly opposed.

OPTION 3: Extend the Jones Act, which requires U.S. ships for domestic commerce, to the Virgin Islands for oil.

(Treasury and FEA support option 2 or 3. State supports option 3 in conjunction with option 2 if needed.)

Pro: Could create 2,000 seagoing jobs with the cost likely to be absorbed by the refiner thereby avoiding the inflationary impact of cargo preference. After years of resisting

América Hess, the only refinery in the Virgin Islands, is no longer opposing extension of the Jones Act since the oil import fee system will make it cheaper to use U.S.-flag ships.

Con: Maritime interests oppose this as a substitute for cargo preference because they believe the Congress will extend the Jones Act to their benefit in any event. There is also concern that it could serve as a precedent to complete extension of the Jones Act to the Virgin Islands which could impact negatively on tourism, the islands' major industry.

ADDITIONAL ISSUE: In-depth study of the maritime industry.
(Supported by State, Commerce, OMB, CEA, NSC, DOD, DOT, FEA, and the Special Assistant to the President for Energy. Treasury supports with option 3.) This would be a broad study of all aspects of the maritime industry including the various government support measures, regulation of shipping, and anti-competitive arrangements of foreign carriers. The study would seek to develop a long-run national maritime policy in preparation for dealing with future requests for assistance and to assure that U.S. maritime needs are met. Such an in-depth study might be a fourth option by itself, but since it would entail a substantial further delay, it would be opposed by maritime interests.

Background on the maritime industry and a detailed elaboration of the pros and cons of the foregoing options are attached. In view of the economic and political complexity of this issue, I recommend that you have a brief meeting with Cabinet members and advisers most concerned before you make a final decision.

RECOMMENDATION

That you convene a Cabinet-level meeting on this subject.

Approve _____ Disapprove _____

DECISION

OPTION 1: Modified Oil Cargo Preference

Approve _____ Disapprove _____

OPTION 2: Expanded Use of Operating Subsidies

Approve _____ Disapprove _____

OPTION 3: Extend the Jones Act to Virgin Islands for Oil

Approve _____ Disapprove _____

ADDITIONAL ISSUE: In-Depth Study of the Maritime Industry

Approve _____ Disapprove _____

BACKGROUND ON MARITIME INDUSTRY

A. World Tanker Fleet. At present, approximately 10 percent of the world tanker fleet is in lay-up and an additional 10 percent is underemployed. Tankers now under construction will more than offset future scrappage of tankers. This surplus tonnage in the world tanker market is expected to continue at least through 1981. The Department of Commerce estimates the tanker surplus will end in the early 1980's. OMB, CEA, State and CIA estimate the surplus could last through 1985. Of the 245 tankers in the U.S. fleet, 10 are currently idle. With the additional demand generated by the strategic petroleum reserve and Alaskan North Slope oil, U.S. tankers will be fully employed from the fourth quarter of 1977 at least through 1978.

B. Employment of U.S. Seamen/Shipyard Workers. Jobs for U.S. seamen have declined from about 56,000 in 1970 to about 44,000 today due to more efficient ships requiring smaller crews and the decline in the number of U.S.-flag ships. Carriage of Alaskan North Slope oil and the strategic petroleum reserve will increase U.S. seagoing employment by 700 jobs beginning in late 1977; by 1980 an additional 875 jobs will be created. Significant layoffs of shipyard workers will occur over the next year regardless of action on cargo preference. Cargo preference could shorten the duration of layoffs and permit employment to remain roughly at current levels through the early 1980's if oil imports are about 10 million barrels/day.

C. Federal Assistance to the U.S. Maritime Industries. Total Federal outlays for all subsidies to the maritime industry in FY 1977 are about \$786 million including: \$236 million for ship construction; \$388 million for ship operating costs; \$62 million in captive carriage of P.L. 480 grain shipments; and \$100 million tax subsidy through the Capital Construction Fund program. You added \$152 million in new budget authority to the Ford Administration's proposed FY 1978 budget for subsidies to the maritime industry.

Despite Federal support, the U.S.-flag tanker share of U.S. international trade was less than 4 percent in 1976. (Another 57 percent of 1976 U.S. oil imports was carried in U.S.-owned ships, most under flags of convenience.) Only one major oil company has participated in the direct subsidy programs since they were extended to tankers in 1970 because a number of legal and administrative restrictions are unacceptable to operators and the world tanker market has been depressed.

ALTERNATIVE RESPONSES TO THE CARGO PREFERENCE BILL
(H.R. 1037)

OPTION 1: Modified Oil Cargo Preference. (Supported by Commerce and Labor.) Modifications to H.R. 1037 to make cargo preference more acceptable would: (a) reduce the cargo preference percentage from 30 to 25 percent of U.S. oil imports; (b) stretch out complete implementation from 1980 to 1985; (c) permit acquisition of some foreign-built tankers to carry under U.S. flag 10 percent of U.S. oil imports as preference cargo; (d) require that reconstruction necessary to meet U.S. safety and anti-pollution standards on such foreign-built ships be done in the U.S.; (e) impose a 25-year age limit on tankers; and (f) provide an explicit mechanism to assure adequate capacity for Navy shipbuilding. These modifications reduce some of the negative economic effects of H.R. 1037 while retaining the support of industry and labor.

Commerce maintains that this option would enhance national security by increasing our capability to move essential wartime imports in U.S.-flag rather than less reliable foreign-flag ships. Defense believes that the essential national security problem is access to, not carriage of, oil, and does not support H.R. 1037 on national security grounds. State believes that, on balance, oil cargo preference would not be beneficial to national security. U.S. cargo preference, if emulated by others, would reduce U.S. flexibility in future supply disruptions should U.S.-flag tankers be banned from suppliers' ports. Furthermore, vessels of our allies would be available to meet our needs in time of emergency.

ADVANTAGES

- o It is acceptable to maritime interests as, in their view, fulfilling your campaign commitment, and assuring their economic well being.
- o Between 2,100 and 4,600 seagoing jobs would be generated depending on whether oil imports are 6 or 10 million barrels/day. At least 13,500 shipyard and supporting industry jobs would be created after 1980 at an oil import level of 10 million barrels/day, but no shipyard jobs at 6 million barrels/day.
- o Age limit would prevent the extended use of obsolescent, worn-out and inefficient tankers in the preference trade.

- o Could improve tanker safety and pollution avoidance to the extent that U.S. ship and crew standards are more stringent than foreign, although new Coast Guard standards will apply to all shipping in U.S. waters.
- o Could improve the U.S. balance of payments by \$95-\$150 million.
- o Reconstruction in the U.S. of foreign-built tankers would generate near term shipyard business/employment.

DISADVANTAGES

- o Commerce estimates the annual cost (excluding wellhead tax increase) of carrying preference cargo in 1985 from \$233 million to \$420 million depending on whether 1985 oil imports are 6 or 10 million barrels/day. Since cargo preference would increase the cost of imported oil, the proposed wellhead tax on domestic production would be increased. The CEA estimates total costs (including wellhead tax increase) in 1985 at the above import levels from \$644 million to \$884 million. Preference oil could be excluded from the wellhead tax computation, which would likely require an entitlements program. The price impact (excluding wellhead tax) would be about 0.1 cent/gallon spread over total oil consumption.
- o If 1985 oil imports are 6 million barrels/day, the cost per seagoing job would be \$111,000, excluding the wellhead tax increase. At the 10 million barrels/day import level, the cost per permanent seagoing job would be \$91,000, but the addition of temporary shipbuilding jobs would lower the average to \$23,000 while additional ships are constructed.
- o CEA estimates net impact on the economy as a whole would be a decrease in total employment and GNP.
- o Would be contrary to the London Summit pledge to reject protectionism.
- o Would probably trigger the adoption of similar or more stringent measures by other countries. Currently, cargo preference imposed by other countries applies to 5% of world oil trade.

- o Would be a reversal of U.S. policy which has favored free competition for commercial cargoes.
- o Would violate U.S. treaties with more than 30 countries.

OPTION 2: Expanded operating subsidy program. (Supported by State, CEA, NSC, DOD, DOT and the Special Assistant to the President for Energy. OMB supports without a cap on the subsidy. Treasury and FEA support option 2 or 3.) This option would attempt to create 5000 additional seagoing jobs by a more flexible and generous operating subsidy program. It entails basic changes in longstanding subsidy programs, including a budgetary ceiling. Maritime interests strongly oppose this as an alternative to cargo preference arguing that independent operators will not be attracted and that the major oil companies with their company unions will be the primary beneficiaries. Shipbuilders oppose this option since no new ship construction would be generated. Union leaders claim they will maintain their traditional alliance with shipbuilders in opposing this option. A recent OMB attempt to put a cap on existing subsidies was strongly opposed.

U.S. ship operators are deterred from registering their ships under U.S. flag by legislative and Maritime Administration regulatory restrictions. Relaxation of restrictions such as permitting foreign-built vessels constructed prior to December 31, 1977, to qualify for subsidy, allowing operators receiving subsidy on their U.S. fleet also to operate a foreign fleet, and allowing repairs of subsidized vessels in foreign shipyards, should attract more ships to U.S. registry.

Since it is difficult to estimate the number of U.S.-owned vessels which would apply for subsidies under these relaxed conditions, an administrative budgetary limit of \$100 million should be placed on expenditures under the new program. Since operating subsidy appropriations for FY 78 will be about \$400 million, the total budget limitation for FY 78 should be about \$500 million.

Eligibility for participation would be open to all vessels (tankers, bulk carriers, and liners) to permit equal opportunity for subsidy to all U.S. ship owners and to avoid discrimination by type of cargo. There is no economic reason to limit the program to tankers.

It may be necessary to structure the subsidy in such a way as to provide additional incentives for independent operators to participate in the program in order to ensure an acceptable level of accession by independents. Most

foreign flag U.S.-owned ships that could switch to the U.S. flag under this program are owned by large multinational corporations.

ADVANTAGES

- o Would generate as many additional seagoing jobs (5,000) as cargo preference at a lower total cost (\$100 million vs. \$233-\$420 million) and at a lower cost per job (\$20,000 vs. \$91,000-\$111,000).
- o Would not increase refiners' acquisition cost of crude oil and, therefore, would not have attendant inflationary impact of cargo preference.
- o Would not have the adverse foreign policy repercussions of cargo preference.
- o Would put a limit on total operating subsidy which is now open-ended.

DISADVANTAGES

- o It is unacceptable to the advocates of cargo preference and would be attacked as benefiting the major oil companies.
- o Would add \$100 million to the budget cost of the maritime subsidy programs.
- o Would not generate additional temporary jobs in U.S. shipyards after 1980 as cargo preference would.
- o With a cap, there would be a budget limit to subsidies to the maritime industry for the first time.
- o It is not possible to predict the rate of participation by U.S.-owned foreign flag ships.

OPTION 3: Extend the Jones Act to the Virgin Islands for oil. (Treasury and FEA support option 2 or 3. State supports option 3 in conjunction with option 2 if needed.) The Jones Act, which requires U.S. ships for domestic trade, would be extended to the Virgin Islands for oil products only. This trade is currently open to foreign flag tankers. Reserving Virgin Islands oil trade to U.S. flag tankers would provide employment for about 2,000 U.S. seamen.

Amerada Hess, the firm which operates the only refinery in the Virgin Islands, receives a double benefit from current U.S. policies: it is treated as a domestic refiner

with respect to the oil entitlement program, but is treated as a foreign refiner with respect to the Jones Act. Since Hess is a small refiner, it is expected that he would absorb the added cost of using U.S.-flag ships. After years of resisting, Hess is no longer opposing extension of the Jones Act to the Virgin Islands. The oil import fee system will make it cheaper for him to use U.S.-flag ships in any event.

An independent refiner with plans to build a new refinery in the Virgin Islands claims it cannot do so if the Jones Act extension is implemented. This would result in the loss of 3,000 potential construction jobs. However, problems unrelated to the Jones Act such as the lack of crude and markets for refined products may preclude construction of the refinery. In any event, the Virgin Islands is a poor location for refining. Firms consider it only because of the exclusion from the Jones Act and the availability of tax assistance.

Executive Branch lawyers are trying to determine whether extension of the Jones Act can be accomplished by a Presidential proclamation or whether legislation is needed.

ADVANTAGES

- o Would provide approximately 2,000 seagoing jobs with the cost likely absorbed by the refiner.
- o Would not have the inflationary impact of oil cargo preference.
- o Would lead to a better allocation of refinery capacity.

DISADVANTAGES

- o Could serve as a precedent for complete extension of the Jones Act to the Virgin Islands which could impact negatively on tourism, the islands' major industry.
- o Maritime interests oppose as a substitute for cargo preference because they believe the Congress will extend the Jones Act to their benefit in any event.

ADDITIONAL ISSUE: IN-DEPTH STUDY OF THE MARITIME INDUSTRY.
(Supported by State, Commerce, OMB, CEA, NSC, DOD, DOT, FEA, and the Special Assistant to the President for Energy. Treasury supports with option 3.)

There was considerable support among EPG members for an in-depth study of the maritime industry. Such a study would examine the long-term prospects of the industry and the implications for U.S. interests. If it was determined that a promotional policy was appropriate, the study would evaluate the various methods including direct subsidies, tax deferments, loan guarantees, investment tax credits and cargo preference. The question of economic regulation would be addressed and the economic costs of various courses of action would be estimated. The study should also include an evaluation of the increasing reliance upon anti-competitive arrangements by some foreign governments and carriers.

If you chose option 1 which gives the maritime industry what it wants, announcement of the study could detract from this action. On the other hand, none of the three options is likely to solve the long-run problems of the maritime industry. It will only be a matter of time before the maritime industry seeks additional Federal assistance. We should, therefore, seek to develop a long-run national maritime policy in preparation for dealing with future requests for assistance and to assure that U.S. maritime needs are met.